



Doing Business in China: Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in China

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Market Overview

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The biggest news in China in 2012 was the leadership transition as Xi Jinping took over as President from Hu Jintao, and Li Keqiang took over as Premier from Wen Jiabao. What impact they will have on economic governance remains to be determined.

The International Monetary Fund estimates that China's 2013 GDP growth will be 7.8%. The Chinese government's new leadership has acknowledged that the country's economic growth will slow going forward due to a number of internal and external factors, likely to the range of 7-7.5% in the short- to mid-term, but has not reacted with stimulus measures through the first half of 2013. Despite slowing GDP growth, which in 2012 was at the lowest level in 13 years, employment has remained stable, but weak profitability in certain sectors and continued external headwinds affecting export-oriented manufacturing may be cause for concern going forward. Inflation was at an annualized level of 2.6% in 2012, and has remained low through the first half of 2013. China's newly-installed economic policymakers have focused their rhetoric on achieving sustainable, high-quality growth versus fast growth, and transforming the country's economic growth model to have a greater focus on consumption, service sector development, and innovation.

The government continues to list controlling residential real estate prices as a priority, but year-on-year house prices rose 4.3% across China in April 2013, and total credit expanded by 65% year-on-year in the first four months of 2013, with credit-to-GDP exceeding 200% by mid-2013, according to some analysts. The unprecedented expansion of credit is the result of stimulus measures undertaken by the government in 2008-2009 and 2012 to cushion a slowing economy. China's new government has vowed to refrain from stimulus, but observers are unclear how much of a slowdown the leadership can accept before intervening. Exports remain a vital part of China's economy, and the Euro-zone economy remains an important factor for the health of China's economy.

China's economy has seen enormous benefits from fixed asset investment, particularly in response to the financial crisis of 2008, which reduced exports as a percent of GDP. This investment-led growth, however, is widely perceived as unsustainable and China's leadership addressed this concern in its 12th Five-Year Plan (12th 5YP), which came out in 2011. The plan aims to increase consumption activity from approximately 35% of GDP in 2010 to 50% by 2015. The IMF estimates that total investment will remain above 47% of GDP in 2013, and household consumption remains suppressed by factors such as financial repression. The rebalancing of China's economy should create

opportunities for U.S. companies that provide consumer products and services, provided China provides market access and a level playing field for foreign firms. Environmental protection is also listed as high priority in the 12th FYP, but many challenges remain in this area.

China is the United States' second largest trading partner after Canada. Despite China's gradually slowing GDP growth, U.S. exports of goods to China increased to \$110.6 billion in 2012, up from \$104 billion in 2011. The U.S. trade deficit in goods with China widened to \$315 billion in 2012, up from 2011's deficit of \$295 billion. U.S. exports of services expanded to \$29 billion in 2012, up from \$26.7 billion in 2011, and the United States had a trade surplus in services of \$17 billion with China in 2012. U.S. agricultural, fishery and forestry exports to China in 2012 reached a new high of \$28.7 billion, up over 23% from 2011 making China the largest U.S. overseas market for agriculture, fish and forestry exports. Given China's rising incomes and demand for raw materials and finished foodstuffs, the U.S. Department of Agriculture forecasts that China's imports will continue to grow well into the future.

China's rapid economic growth, especially in the urban areas, has led to a booming consumer market for high-end goods and services, including tourism and education. China will consume \$27 billion worth of luxury goods by 2015, 20% of the world market. About 80% of people buying luxury items in China are 45 years old or younger, whereas that percentage is only half of that in the United States. By 2020, China's middle class is expected to account for around 45% of the population, or 700 million people.

Despite these remarkable changes, China is still a developing country with significant economic divisions between urban and rural areas. The number of migrant workers remains high. An estimated 160 million laborers worked outside of their home provinces in 2011, where they were legally precluded from access to the local social safety net, including education services for their children. The Economist Intelligence Unit estimates that China's urban population is 639 million (more than double the entire U.S. population) in 2013 and 60% of all Chinese are expected to be living in urban areas by 2020. According to the National Bureau of Statistics of China, in 2012 the per-capita income of urban residents was \$3,962 and the per-capita income of rural residents stood at \$1,276. The CIA World Fact Sheet estimates that China has 99 million rural individuals below the poverty line. Official estimates of income inequality put China in the ranks of the Dominican Republic and Congo (China's official 2012 Gini Coefficient, which measures income inequality, was 0.47), but unofficial estimates suggest that inequality may be closer to levels seen in Haiti and South Africa.

In summary, although GDP and trade continue to increase significantly, challenges remain as China attempts to reduce its high domestic savings rate and relatively low domestic demand, maintain job growth for the high number migrant workers and graduates entering the work force, and stem the environmental damage resulting from China's rapid industrial and economic growth.

Market Challenges

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In addition to large multinationals, many of which continue to earn impressive returns on their exports to and investments in China's market, American small and medium-sized enterprises (SMEs) are also active here. The U.S. Department of Commerce's

Commercial Service (CS) counsels American companies that in order to succeed in China's market, they must thoroughly investigate their specific market, take heed of product standards, and pre-qualify potential business partners. Stumbling blocks that foreign companies often run into while doing business in China can be grouped into the following broad categories.

- China often lacks predictability in its business environment. China's current legal and regulatory system can be opaque, inconsistent, and often arbitrary. Implementation of the law is inconsistent. Lack of effective protection of intellectual property rights is a particularly damaging issue for many American companies. Both those that already operate in China and those that have not yet entered the market have had their product IP stolen by Chinese companies.
- China has a government that, in some sectors of the economy, could be called mercantilist due to the significance of exports in the growth model. China has made significant progress toward a market-oriented economy, but parts of its bureaucracy still seek to protect favored firms, especially state-owned enterprises, from imports, while encouraging exports.
- China retains much of the apparatus of a planned economy, with five-year plans setting economic goals, strategies, and targets. The State and the Communist Party directly manage the only legal labor union.
- The size and complexity of the market in China can stress a firm's capabilities, resources and patience. Well-targeted and informed efforts and a network of contacts at various levels across a broad range of organizations are often linked closely with market success and ability to resolve problems.

Market Opportunities

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- Opportunities exist for growth of imports from the United States in sectors such as Safety and Security, Automotive Components, Aviation, Coal Mining Equipment, Environment, Franchising, Machinery, Marine Industries, Medical Equipment, ICT Equipment and Software, Oil and Gas, Green Building, Nuclear, Rail and Urban Rail, Animal Feed, Fisheries Products, Tree Nuts, Soybeans (the largest single U.S. export to China), Hides and Skins, Wood Products, Packaged Foods, Meat and Poultry, Wine and Beer, and Fresh Fruit and a range of services.
- The wide range of promising sectors suggests that China will remain an important and viable market. With growing numbers of Chinese traveling abroad for education and leisure purposes, China's contribution to U.S. educational institutions and the tourism industry is increasingly important as well.
- China is a challenging market and requires a strong understanding of a firm's capabilities and in-depth knowledge of the market. Before making a decision to enter the Chinese market, potential entrants should first consider their own resources, past exporting experience, and have a willingness to commit a significant amount of time exploring opportunities for their products and services in China. Long-term relationships are key to finding a good partner in China. Companies should have an IPR strategy as part of their market strategy and should conduct thorough due diligence on potential partners or buyers, whether public or private.

More detailed information can be found in Chapter 4 on specific industries with strong commercial prospects.

Market Entry Strategy

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CS welcomes contact with American companies that aim to initiate or expand exports to the Chinese market. Two of the primary objectives of U.S. policy with regard to China are (a) creating jobs and growing the American economy by increasing exports, and (b) ensuring our companies' ability to compete on a level playing field. A company should visit China in order to gain a better perspective and understanding of its potential as a market. Given the size of China and its rapidly changing market, a visit to China can provide great insight into the country's business climate and its people. Chinese company representatives respect "face-to-face" meetings, which can demonstrate a U.S. company's commitment to working in China. Prospective exporters should note that China has many different regions and that each province has unique economic and social characteristics.

U.S. companies commonly use agents in China to initially create these relationships. Localized agents possess the knowledge and contacts to better promote U.S. products and break down institutional, language, and cultural barriers. CS in China offers a wide array of services to assist U.S. exporters in finding Chinese partners through a network of five Commercial Service posts in China (Beijing, Chengdu, Guangzhou, Shanghai, and Shenyang). They also have a partnership with the China Council for the Promotion of International Trade (CCPIT) to provide services in 14 other major cities in China. U.S. companies are strongly encouraged to carefully choose potential Chinese partners and take the time to fully understand their distributors, customers, suppliers, and advisors.

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Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/18902.htm>

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Using an Agent or Distributor

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China's fast-growing economy attracts international participation, including exports from U.S. SMEs. Unlike large international or multinational companies that establish operations for branding, marketing and various business activities in China, SMEs with limited budgets usually start with fostering a sales network through regional agents or distributors when expanding their business. Sales agents and distributors can assist in keeping track of policy and regulation updates, both locally and nationally, collect market data, and quickly respond to changes. In addition, U.S. SMEs can take advantage of existing networks enjoyed by their agents and distributors and expand their business through such contacts.

Trading Companies

Foreign companies may choose one of two ways to acquire trading and distribution rights: they can set up a new, stand-alone foreign invested enterprises (FIEs) or apply to expand the business scope of an existing FIE. China's current regulations are designed to allow manufacturing-focused FIE to become export trading companies that may purchase and export any products or technologies free from quotas, license controls or government monopoly. FIEs are able to establish trading companies and to obtain trading rights before the phase-in of distribution rights. Chinese companies that are registered and have RMB 1 million (\$148,000) in capitalization can obtain an import/export license.

In 2005, the Ministry of Commerce (MOFCOM) issued documents outlining the application procedures for investors to establish new FIE, for existing FIEs to open new

distribution and trading businesses, and for existing FIEs to expand their business scope. The documents give provincial-level agencies the authority to review and approve applications. Approval for new foreign enterprises occurs at the provincial level and not the national level.

In 2006, MOFCOM issued a notice on “Entrusting Local Authorities with the Examination and Approval of Commercial Enterprises with Foreign Investment.” While this decision to delegate approval authority to provincial-level authorities for most distribution rights has sped up the application process, technical challenges still remain. Existing foreign-invested manufacturers that have expanded their business scope are limited to distributing goods that they produce. Uncertainty over what constitutes “similar goods” has created difficulties for some companies seeking to exercise their distribution rights. In addition, existing manufacturers that have expanded their business scope to include distribution must ensure that half of their revenue stems from their buy-sell activity.

Distributors

A U.S. exporting company that hopes to successfully enter China must gain both trading and distribution rights. Distribution covers: 1) commission agent services, 2) wholesale services, and 3) retailing. Chinese law allows foreign companies to establish wholly-owned distribution entities for chemical fertilizers, processed oil, and crude oil. Limits exist on products including books and periodicals, pharmaceutical products, and pesticides.

Given the complexities of the Chinese market, foreign companies should also consider using a domestic Chinese agent for both importing into China and marketing within China. With careful selection, training, and constant contact, a U.S. exporter can obtain good market representation from a Chinese trading company, many of which are authorized to deal in a wide range of products. Some of the larger companies have offices in the U.S. and other countries around the world, as well as a network of offices and affiliates in China.

Local agents

China has many local sales agents who handle internal distribution and marketing. Most of these firms do not have import/export authorization. They are the next layer down the distribution chain, buying foreign products and importing them through import/export licensees. These sales agents then pay a commission to the licensee. They may be representative offices of Hong Kong-based or other foreign trading companies, or domestic Chinese firms with regional or partial national networks.

Establishing an Office

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How to Establish a Representative Office in China

Regulations in China change frequently. We recommend that companies engage competent professional service providers to assist in this process. In the last few years many companies have opted for a wholly foreign owned consulting or service enterprise rather than a representative office (RO), as this offers more flexibility and allows invoicing and collection of RMB payments.

A RO must consist of no more than 4 representatives (including the Chief Representative) and they may not be engaged in any profit-making activities. ROs can only engage in market research and investigation, promotional activities of products and services, liaison for the purposes of selling products or services, domestic procurement, or domestic investment. The parent company must actually sign sales contracts.

Representative Office Establishment Application Process

Applications for most industry RO can be applied for directly at the Administration of Industry and Commerce (AIC) in the locality where the proposed RO is to be established. If a company's industry is designated "special," the AIC office will direct the firm to MOFCOM, and the company will register with MOFCOM instead of AIC. All Foreign Representatives must register within 6 months of entry. Those who have not obtained approval or have not gone through the procedures for registration shall not be permitted to undertake business operations for the home office.

The applicant or agent must submit the following documentation on behalf of the investor:

- Application letter signed by the Chairman of the Board or the General Manager. The application letter should contain, in part, the following: a description of the company's history, business, and scope; the names of the Chairman of the Board, the General Manager, and directors; the names of its major trading partners in China; its business volume; the proposed name of the representative office; the purpose for setting up the representative office and the scope of its activities; the duration of the office; and its chief representative.
- Head office incorporation documents and a brief description of company. Head office incorporation documents include certified copies of the company's business registration certificate, the certificate of incorporation, and the memoranda and articles of association.
- Original bank reference letter attesting to the company's financial standing.
- Letter from Department of State of the U.S. state where the entity is incorporated, notarized by the Chinese embassy/consulate, affirming that the foreign enterprise is a company in good standing.
- A letter appointing the chief representative to the representative office as well as the chief representative's resume showing his/her work experience and educational/professional qualifications, copies of his/her identification, passport, and photos.
- A copy of the lease agreement for the representative office's premises from an approved unit (e.g., a hotel or commercial building).
- If the application is approved, an approval permit is normally issued to the representative office within one month after submission of the application. Having obtained the approval permit and business registration certificate from MOFCOM or the Administration for Industry and Commerce, other post registration formalities include: registering with the tax bureau, opening a bank account, completing a residence application with the with the local Public Security Bureau, applying to the Customs Administration for permission to import office equipment and daily necessities for use by the representative office and its personnel, appointing a Foreign Enterprise Employment Agent to recruit local Chinese employees, etc.

The registration of a RO is required in order to lawfully employ Chinese nationals, to open a bank account, or to use business cards that identify the company's presence in China. Additionally, the company's representative would be unable to obtain a multiple entry visa or legally rent an apartment without a commercial domicile registration booklet. This booklet is obtainable only after the registration of the RO is complete. The employment of Chinese nationals as employees is normally facilitated with the assistance of a local foreign enterprise employment agent. These agencies handle the process of establishing the proper protocol for employing and paying local employees.

No one may be a Representative of a RO if:

- Sentenced to a criminal penalty for committing crimes detrimental to national security or public welfare of the People's Republic of China.
- Formerly the individual was deregistered, or whose registration was withdrawn or ordered closed by relevant authorities due to illegal activities that were detrimental to national security or public welfare in the last 5 years.

Renewal

ROs must submit annual reports to SAIC or AIC between March 1st and June 30th of each year with all proper documentation required.

Chinese Government Resources

Official Information from the Government of China can be found at this website:

http://www.fdi.gov.cn/pub/FDI_EN/Laws/default.jsp?type=530

Franchising

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Some foreign companies are beginning to establish multiple retail outlets under a variety of creative arrangements, some of which function as franchises. Virtually all of the foreign companies who franchise in China either manage the operations themselves with Chinese partners (typically establishing a different partner in each major city or region) or sell to a master franchisee, which then leases out and oversees several franchise areas within a territory.

The 2011 revision of the "Catalogue Guiding Foreign Investment" removes companies involved in franchising from the 'restricted' category. As such investment is no longer listed elsewhere in the catalogue, this activity is considered 'permitted,' meaning it has less stringent approval and partnership requirements. This movement, along with doctrine in the 12th Five-Year Plan (12FYP) to encourage more domestic consumption, should be considered when evaluating this business structure.

Chinese consumers tend to be very brand conscious. Many urban consumers have traveled overseas and perceive value in branded products or services with foreign names. It is important for entities considering a franchise model for expansion to consider steps to protect their brand and image. Prior to making substantive moves into the market, including negotiations with potential partners or franchisees, companies should consult with appropriate counsel regarding trademark registration or other concerns regarding intellectual property rights. Also, companies should evaluate after sale service and other considerations that may affect their brand image.

The regulations affecting franchisors and their operations are the “Regulations on the Administration of Commercial Franchises” (Franchise Regulations). The Franchise Regulations, together with the “Administrative Measures for the Information Disclosure of Commercial Franchises” (Information Disclosure Measures) and the “Administrative Measures for Archival Filing of Commercial Franchises” (Archival Filing Measures) have been issued by MOFCOM.

One key aspect to the regulations governing franchising is the two-plus-one requirement. This requirement stipulates that franchisors own at least two directly operated outlets anywhere in the world before being allowed to operate a franchise model in China. One of the most difficult aspects of franchising in China is finding qualified franchisees. Franchising is still a relatively new concept in China, with many Chinese still unfamiliar with it. Moreover, collecting royalty payments and ensuring that the franchisee maintains the integrity of your brand are formidable challenges. Industry experts recommend that companies first open their own stores in China to show the market that the business concept works and to solidify its brand positioning before attempting a franchise model. Another suggested approach is to find a franchise partner for Mainland China in a more developed area such as Hong Kong, Taiwan or Singapore.

Direct Marketing

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Direct selling is a type of business model involving the recruitment of direct marketing sales agents or promoters and the selling of products to end-consumers outside fixed business locations or outlets.

As part of China’s WTO commitment, the Chinese Government agreed to allow market access for “wholesale or retail trade services away from a fixed location.” However, these new regulations are quite restrictive. Multi-level marketing (MLM) organizations are characterized as illegal pyramids, compensation is capped at 30% based on personal sales, and language exists that requires the construction of fixed location “service centers” in each area where sales occur. To obtain a direct sales license from the government, further barriers exist as evidenced by a three-year foreign experience rule, and a required RMB 20-100 million bond deposit, among other requirements. Several major international companies have had success in overcoming these barriers. However, the Chinese Government has been slow to approve direct-sales license applications for new entrants over the past few years. In general, the Chinese central government and the relevant authorities at central and local levels tend to heavily regulate and supervise this industry.

Joint Ventures/Licensing

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Joint ventures (JVs), although a useful way to limit investment and quickly access the market, entail some degree of risk (loss of control of investment, theft of intellectual property, and conflicts of interest). In some sectors, forming a JV with a local partner is a formal prerequisite for market access. Most U.S. investment in China is now in the form of 100% U.S.-owned companies, rather than JVs. As China has opened its market, the number of wholly owned foreign entities (WOFEs) has increased. To date nearly 75% of new investments are WOFEs. A U.S. company contemplating a JV should clearly understand what their partner brings to the table and what benefits there might be to establishing a JV rather than a WOFE.

Technology transfer is another initial market entry approach used by many companies. It offers short-term profits but runs the risk of creating long-term competitors. Due to this concern, as well as intellectual property considerations and the lower technical level prevailing in the Chinese market, some firms attempt to license older technology, promising higher-level access at some future date or in the context of a future JV arrangement.

Licensing contracts must be approved by and registered with the MOFCOM. A tax of 10% to 20% (depending on the technology involved and the existing applicable bilateral tax treaty) is withheld on royalty payments.

Selling to the Government

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In 2003, China implemented the Government Procurement Law (GPL) which generally reflects the United Nations Model Law on Procurement of Goods and the WTO's Agreement on Government Procurement (GPA). China's government procurement (GP) market was about \$130 billion in 2010, according to China's Ministry of Finance (MOF). However, that number does not include most government-funded construction projects or public works, which are governed by the Tendering and Bidding Law (TBL) administered by the National Development and Reform Commission. While there are no official figures for projects covered by TBL, analysts estimate such procurement may exceed \$200 billion.

In accordance with its commitment upon accession to the WTO, China committed to initiate negotiations for accession to GPA. The initial offer was submitted in 2007, and China has made three revised offers since then, all falling short of the other GPA parties' expectations. The U.S. and other GPA parties have noted that significant improvements will be needed in China's next offer. In particular, China will need to include more sub-central governments and state-owned enterprises in its next GPA offer. China has acknowledged that GPA accession will require significant revision to the GPL and TBL as well, to eliminate ambiguity and overlap in the two laws.

The United States and China have restated their cooperation in order to accelerate China's accession to the WTO GPA. Moreover, in the 2010 Joint Commission on Commerce and Trade, China committed, for the purposes of government procurement, to treat products produced in China by FIEs the same as products produced in China by Chinese enterprises. Late in 2011, the MOF announced that 30% of GP would be directed toward SMEs to strengthen that sector of the economy.

A "Buy-China" clause in China's government procurement law requires an additional approval process for imported goods or services. At the end of 2009, China issued a document implementing regulations for the GPL, proposing a domestic content requirement standard for government procurement as well as preferences for products with indigenous innovation. These indigenous innovation preferences have been eliminated as of July 2011, when the MOF issued regulations preventing the enforcement of these preferences. The United States Government continues to press for stronger measures to eliminate indigenous innovation preferences, and sub-central governments were ordered in December 2011 to discontinue any indigenous innovation preferences through the State Council Office Circular [2011] Number 41. Implementation of this order is uneven, however, with some provincial and local

governments enacting policies discriminating in favor of indigenous products and technologies. There are also additional opportunities for sales of products that are not available in China, cannot be purchased on reasonable commercial terms in China, or are for use abroad.

China's evolving GP market is adopting new approaches to the procurement process. For example, electrical equipment bids are now accepted over the internet via Chinabidding.com. This portal provides a comprehensive listing of all government procurement opportunities for this type of equipment. The service is also available in English and requires registration in order to submit bids. Additional portals for other product categories may exist or be in development.

Direct sales to the Chinese military are possible. However, restrictions on this type of business exist both in the United States and China. U.S. manufacturers should contact the Department of Commerce's Bureau of Industry and Security (202-482-4811) and the U.S. State Department Office of Defense Trade Controls (202-663-2980) for guidance before selling goods or technology to the Chinese military.

Distribution and Sales Channels

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In recent years, China liberalized its distribution system to provide full trading and distribution rights for foreign firms in most industry sectors. New laws removed earlier restrictions on size requirements for trading and distribution firms, thus paving the way for competition from small businesses.

While the outright prohibition of foreign invested firms to import, export and distribute goods in China has improved, the licensing and approval process remains difficult, time consuming, and highly opaque. A standard business license is typically issued by municipal commercial agencies, in China referred to as the Administration of Industry and Commerce. Distribution rights for such industries are often approved by a higher-level authority, a municipal or provincial Commission of Commerce. This effectively adds another layer of bureaucratic hurdles a foreign investor will need to navigate.

Sales channels available to foreign companies selling in China include trading companies, distributors, and local agents. Trading companies with import/export rights take care of customs formalities; distributors build sales channels and handle stock and inventory; and local agents retail products to consumers.

Selling Factors/Techniques

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Relationships

Personal relationships (*guanxi* in Chinese) in business are critical. *Guanxi* is deeply rooted in Chinese culture and a necessary tool for getting things done. In any business transaction, counterparts will want to know with whom they are dealing before getting involved too deeply. It can sometimes take many months to develop these types of relationships. American businesses need to understand this aspect of the business culture and take a patient approach.

Thus, it is important for exporters, importers, and investors to establish and maintain close relationships with their Chinese counterparts and relevant government agencies. It is equally important that American exporters encourage strong personal relationships between their Chinese agents or distributors and the buyers and end-users. A web of strong personal relationships can often help ensure expedited governmental procedures and smoother business development in China. This is a cultural difference that American companies should be aware of; personal relationships can be just as important if not more than legal contracts.

Localization

Though Chinese customers welcome U.S.-made products in general, they still prefer to have localized customer support from a manufacturer, such as on-site training, service centers in China, local representatives, and catalogues and manuals in Chinese. While a rapidly growing percentage of the management work-force in first-tier cities speak English, U.S. exporters should understand the limits of English language proficiency in China and do their utmost to see that all materials are user friendly. Important documents should be printed in good Chinese. Being able to communicate in their native language will enhance the relationship between the parties. On a similar note, certain modifications must be made to accommodate local tastes, customs, and systems.

Logistics

U.S. exporters should keep in mind that timely delivery and adequate inventory are crucial to success in the Chinese market. Thus, it is important to consider the capabilities of an agent or distributor. Logistics in China have become easier in recent years with the continuous improvement of highway, air, rail, and port infrastructure, and transportation options have increased. Most of the major international logistic companies are now operating in China, although the Chinese Government has created new regulatory barriers recently that limit their ability to provide domestic services.

Electronic Commerce

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The Chinese Government has a fairly open attitude towards e-commerce in China. Both Chinese and international businesses are actively investing and establishing online sales channels. China has the largest online population in the world; it reached 564 million as of December 2012, according to China Internet Network Information Center. The transaction value of China's online retail market reached RMB 774 billion in 2011, up by 68% year over year (Source iResearch). The number of online shoppers reached 210 million as of June 2012, accounting for 39% of China's Internet population.

Boston Consulting Group (BCG) calculates that every year for the foreseeable future another 30 million Chinese consumers will go online to shop for the first time. By 2015, they will each be spending \$1,000 a year – about what Americans spend online now. BCG calculates that e-commerce could rise from 3.3% of China's retail sales today to 7.4% by 2015. This phenomenal growth in e-commerce has attracted many foreign retail players to enter the China online retailing market, but logistics infrastructure on the back-end for retailers has not been able to keep up with the pace resulting in a poor consumer experience.

The inability of domestic logistics service providers to fulfill high volumes of customer parcel shipping at low costs and within a reasonable delivery timeframe dramatically impacts the direct-to-consumer channel in many areas. Therefore, online retailers have had to establish their own distribution networks or rely on outsourced express shippers. The logistics challenges have constrained the development of online retailing and increased the logistics costs of many online retailers. While a number of leading online retailers have started to provide logistics service to customers, some logistics companies have ventured into online retail operations.

Despite these impediments, several Chinese internet companies have been very successful in adapting to the local market and developing an effective cash-on-delivery or bank transfer payment model. Players such as tmall.com (part of taobao.com which is China's largest online retailer), amazon.cn, vancl.com, and jd.com (formerly known as 360buy.com) are key online retailers. It is becoming common for Chinese consumers to shop online at one of these websites, and well-known Western brands are continuing to flock to these websites. However, U.S. companies wanting to sell products on Chinese e-commerce portals must establish a firm presence in China. A 'presence' can be a subsidiary company, a JV, a wholly-owned entity or even a local distributor/agent. At present, not many Chinese e-commerce portals are able or willing to deal with custom clearance and after-sales management for importing products. Chinese portals rely heavily on foreign companies to handle these issues themselves. However, this is expected to change at some point in the years to come as more and more Chinese portals expand to include global entities to fulfill sourcing and logistics needs.

Trade Promotion and Advertising

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Advertising is an effective way to create product awareness among potential consumers in China. Channels for mass advertising include publications, radio, television, outdoor, online (blogs, bulletin boards, search engines), in-store, and sponsorship. Advertising in China is regulated by the Advertising Law of the People's Republic of China (Advertising Law), which was passed in 1994. This law outlines content prohibitions and advertisers' responsibilities. Advertising should be good for the physical and mental health of the people as well as conform to social, public and professional ethics, and safeguard the dignity and interests of the state. Specific rules include a prohibition on the use of national symbols and government images, and prohibit advertisements that are obscene, superstitious, discriminatory, or dangerous to social stability. The advertising industry in China is heavily regulated, and the government still exercises ultimate control over content. The Advertising Law is not completely transparent; therefore, interpretation and enforcement may be arbitrary and varied, and legislation usually favors consumer protection over business promotion. Notably, foreign businesses without a Chinese business license gained through establishing an office in China are not permitted to advertise in China.

The State Administration for Industry and Commerce is the primary regulatory organization for the advertising sector, but many other organizations such as the Ministry of Culture and the State Administration of Radio, Film and Television, play an active role in controlling print or television content.

China's retail boom and increasing competition among retailers is causing China's advertising industry to grow even faster than the economy as a whole. All of the major international advertising firms are present in China.

Now that China is in the midst of a consumer revolution, foreign products that make use of advanced marketing, advertising and research techniques are leading the way. Brand awareness is increasingly important and sophisticated advertising is beginning to play a key role in charming the Chinese consumer. Another important trend U.S. companies need to be aware of is China's increasing use of social media to promote brands and introduce products. According to an April 2012 McKinsey Report (http://www.mckinsey.com/insights/marketing_sales/understanding_social_media_in_china) social media is a larger phenomenon in China than it is in other countries, including the United States.

China has more than 5,000 trade events, and the number of shows, continues to grow between 15% and 20% annually, particularly in second tier cities. In general, exhibitions can be excellent venues to gauge market interest, develop leads and make sales. Most are sponsored or co-sponsored by government agencies, professional societies, or the China Council for the Promotion of International Trade (CCPIT). Some shows are organized by American, Hong Kong or other foreign show organizers. Show participation costs are sometimes high since pricing options for available booth space for foreign companies at shows is often limited to certain areas within events. Some shows may reach only a local audience or cater primarily to Chinese exporters despite being described as Import/Export Fairs. Therefore, companies are advised to scrutinize shows carefully before confirming participation.

In 2013, CS China will support U.S. Pavilions at trade shows around China in different industry sectors. The U.S. Export Pavilion is an exhibit that promotes the benefits of exporting and of using U.S. government export assistance. Participating agencies include the Foreign Trade Division of the U.S. Census Bureau, the U.S. Commercial Service, U.S. Department of Agriculture, the Export-Import Bank of the United States (Ex-Im Bank), and the U.S. Small Business Administration. The U.S. Pavilion concept is part of the U.S. Department of Commerce's initiative to promote American goods and services in key Chinese markets.

The U.S. Department of Agriculture supports U.S. pavilions at major food, beverage, fisheries and forest products shows across China, as well as tracking smaller trade shows and evaluating them for their promotional potential. Key shows supporting U.S. food pavilions include the SIAL and Food and Hotel China shows in Shanghai, and the Fisheries Show, which will be in Dalian in 2013.

Updated information about trade shows can be found on our website at: http://export.gov/china/tradeevents/eg_cn_056256.asp.

In addition, a list of trade shows that are screened by the U.S. Department of Commerce appears in Chapter 9 of this report. Upcoming Department of Commerce trade missions can be found at: http://export.gov/trademissions/eg_main_023185.asp.

For information on food, beverage, and other agriculture-related shows, please contact the local Agricultural Trade Office, noted in the Contacts section of this report.

Most Chinese consumers are highly sensitive to price. Industrial and government procurement purchasing decisions are also often focused primarily around price points and less around product and service quality. With carefully packaged service programs, however, Chinese industrial buyers can be convinced to pay a premium for higher quality products. Attractive export/import financing programs can also be an important tool for exporters, and Japanese and European equipment manufacturers often use them. Refer to Chapter 7 for additional information on export financing assistance opportunities for U.S. companies.

Chinese consumers do, however, regularly demonstrate a keen desire to pay a significantly higher price for products that provide a sense of prestige and sophistication. China is the second largest market for global luxury brands, accounting for almost 25% of global sales of consumer luxury products. Despite having one of the world's fastest rates of growth for luxury goods during the past few years, a recent government crackdown on displays of lavish spending by officials is expected to put a short to medium term crimp in luxury goods sales. Simply carrying an imported label can often, though not always, be enough to put products into a premier price category. A recent store check by the Commercial Service's Shanghai office found imported U.S. children's vitamins priced at \$55 for a 100-tablet bottle, with the same product selling for \$12 in the United States. While a significant portion of such price differences is attributable to import duties and value-added tax, perceived higher quality and greater prestige of imported products has allowed importers to build in large profit margins. Refer to chapter 5 for more information on duties and taxes.

Sales Service/Customer Support

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The ability to provide adequate after-sales service is an important selling point and can distinguish a company from its competitors. WOFEs and FIEs are now able to provide sales service and after-sales customer support in China. Heightened consumer awareness has given U.S. companies with strong international brands an advantage in the Chinese market, as American products and services are generally considered to have superior sales and customer support standards. This, of course, requires a certain degree of localization, and a commitment to training the local sales and service force.

Protecting Your Intellectual Property

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Several general principles are important for effective management of intellectual property rights (IPR) in China. First, it is important to have an overall strategy to protect your IPR. Second, IPR is protected differently in China than in the U.S. Third, rights must be registered in China and enforced under local laws. Your U.S. trademark and patent registrations will not protect you in China. Copyright protection in a particular country also depends on the national laws of that country. Although there is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world, most countries do offer copyright protection to foreign works under certain conditions; international copyright treaties and conventions have simplified greatly these conditions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Chinese market. It is vital that companies understand that

IPR is primarily a private right. The U.S. Government cannot enforce rights for private individuals in China. It is the rights holder's responsibility to register, enforce, and protect its rights, through its own legal counsel and advisors. Companies may wish to seek advice from local attorneys or IPR consultants who are experts in Chinese intellectual property law. The U.S. Commercial Service can provide a list of local lawyers upon request. Please also refer to the following web links for the U.S. diplomatic facilities throughout China, which maintain a list of local attorneys.

- Beijing: http://beijing.usembassy-china.org.cn/acs_legal.html.
- Chengdu: http://chengdu.usembassy-china.org.cn/legal_assistance.html.
- Guangzhou: <http://guangzhou.usembassy-china.org.cn/service/other-services/legal-services-providers-in-south-china.html>.
- Shanghai: http://shanghai.usembassy-china.org.cn/law_firms.html.

Note: There is no listing of attorneys or law firms on the web site of the U.S. Consulate General in Shenyang.

While the U.S. Government stands ready to assist where appropriate, there is little we can do if the rights holder has not undertaken these fundamental steps necessary to securing and enforcing its IPR in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights, on a mistaken belief that the USG can provide a political resolution to a legal problem, may find that their rights have eroded or been abrogated, due to legal doctrines such as a statute of limitations, laches, estoppel, or unreasonable delay in prosecuting a lawsuit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It always is advisable to conduct due diligence of potential partners. Negotiate from the position of your partner, and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting your IPR. Consider carefully, however, whether to permit your partner to register your IPR on your behalf. Doing so may create a risk that your partner will list itself as the IPR owner, and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in China require constant attention. Work with legal counsel familiar with Chinese laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

We suggest that small- and medium-size companies contemplate working together with trade associations and organizations to support enhanced IPR protection and anti-counterfeiting efforts. There are a number of organizations, both China- and U.S.-based. These include:

- The U.S. Chamber of Commerce in Washington, D.C.
- Local American Chambers of Commerce in larger Chinese cities, including Beijing, Guangzhou, and Shanghai
- The Quality Brands Protection Committee (QBPC) (China-based)
- National Association of Manufacturers (NAM)

- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy (CACP) of the U.S. Chamber of Commerce
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IPR is freely available to all rights holders. Some excellent resources for companies regarding intellectual property include the following:

- The U.S. Patent and Trademark Office has positioned IPR Attachés and Officers in key markets around the world. The PTO has three representatives in China. In Beijing, Mr. Joel Blank serves as the IPR Attaché at the U.S. Embassy, and can be reached at: joel.blank@trade.gov. In Guangzhou, Mr. Timothy Browning is the IPR Officer at U.S. Consulate General; his e-mail address is timothy.browning@trade.gov. In Shanghai, Dr. Jared Ragland is the IPR Officer at the U.S. Consulate General, and can be reached at jared.ragland@trade.gov.
- For information about patent, trademark, or copyright issues - including enforcement issues in the U.S. and other countries - call the STOP! Hotline at **1-866-999-HALT**, or register at www.StopFakes.gov.
- For more information about registering patents and trademarks (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (PTO) at **1-800-786-9199** or at www.uspto.gov.
- For more information about registering for copyright protection in the U.S, contact the U.S. Copyright Office at **1-202-707-5959**, or at www.copyright.gov.
- For more information about how to evaluate, protect, and enforce IPR and how these rights may be important for businesses, a free, on-line training program is available at www.stopfakes.gov.
- For American small- and medium-size companies, the Department of Commerce offers an "SME IP Advisory Program" available through the American Bar Association's Section on International Law that provides one hour of free IPR legal advice for companies with concerns in Brazil, China, Egypt, India, and Russia, among several other countries. For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html.
- For information on obtaining and enforcing intellectual property rights and gaining access to country-specific IP Tool Kits, visit <http://www.stopfakes.gov/business-tools/country-ipr-toolkits>. This site is linked to the PTO website for registering trademarks and patents in the U.S. as well as in foreign countries: www.uspto.gov; the U.S. Customs and Border Protection (CBP) web site to record registered trademarks and copyrighted works which assists CBP in

blocking imports of IPR-infringing products: <https://apps.cbp.gov/e-recordations/>;
and allows you to register for individual webinars on protecting IPR in China:
<http://www.stopfakes.gov/china-ipr-webinar>.

Protecting Your Intellectual Property Rights in China

As China liberalizes its trade regime and continues to further open its markets under its World Trade Organization (WTO) commitments, new products and industries are increasingly present. Additionally, an increasingly large number of Chinese individuals and small companies are involved in manufacturing and international trade. China's internet penetration has been rapid, with many companies scouring the internet for market opportunities. While this has many positive effects for the Chinese economy, one ancillary effect of the growing trade and market liberalization has been the simultaneous growth in infringement of IPR, including the export of products that violate U.S. rights in the United States and other overseas markets. U.S. companies, whether or not they are active in China, can no longer afford to decline or defer taking steps to protect their IPR in China.

Intellectual property rights are territorial. U.S. companies must secure relevant rights in China in a timely manner in order to be protected under Chinese law. Separately, U.S. rights holders may need to obtain different types of rights, and seek different types of remedies under China's legal regime, compared to the United States.

China's IPR Commitments

As part of its Protocol on Accession to the WTO, which occurred in 2001, China committed to full compliance with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPs Agreement), as well as other TRIPs-related commitments.

In addition to China's WTO commitments, China has signed a number of international and bilateral agreements regarding IPR. China is a member of the World Intellectual Property Organization (WIPO) Convention, the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Madrid System for the International Registration of Marks, otherwise known as the Madrid Protocol, the Universal Copyright Convention, the Geneva Phonograms Convention, and the Patent Cooperation Treaty.

During 2002, the WIPO Copyright Treaty and WIPO Performance and Phonograms Treaty (the Internet Treaties) came into effect worldwide. These treaties help define global standards of protection and enforcement needed to keep pace with the distribution of copyrighted and related works over global information networks. In March 2007, China acceded to the two WIPO Internet Treaties. As of December 31, 2012, the China Internet Network Information Center reported an estimated 564 million internet users. <http://www1.cnnic.cn/IDR/BasicData/>. It is critical that the Chinese Government aggressively enforce against copyright infringement occurring over the internet. However, enforcement against various types of cybercrimes, such as internet piracy and sales of counterfeit and pirated goods over the internet, as well as internet enabled trade secret theft tends to be weak.

IPR Climate

China has made significant strides in IPR legal reform and currently several major IPR laws are being revised or are under consideration for amendment. China has civil, administrative and criminal enforcement mechanisms at its disposal to combat IPR infringement and theft. In November 2011, during a bilateral meeting of the Sino-U.S. Joint Commission on Commerce and Trade (JCCT), then-Vice Premier Wang Qishan announced the establishment of a permanent “Leading Group for Combating IPR Infringement and Counterfeit and Shoddy Goods under the State Council (China’s cabinet). This National Intellectual Property Enforcement Office, which is housed in the MOFCOM, is designed to enhance the coordination and effectiveness of IPR enforcement in China.

Inadequate enforcement of IPR laws and regulations, however, remains a serious problem. Enforcement can be uneven and inconsistent. Administrative penalties for IPR violations, in the form of fines and seizures, have little deterrent effect because they lack the severity of criminal penalties, such as imprisonment. Fines often are amortized into the cost of manufacturing the counterfeit or pirated product. Consequently, for the infringer, payment of a fine is merely the cost of doing business. Chinese law insufficiently criminalizes the import and export of IPR-infringing goods. It also does not deem unauthorized downloading of copyrighted materials as a violation, unless the rights holder can demonstrate that profit was the infringer’s primary motivation. The result is persistent and high levels of IPR infringement in China.

For example, in 2013 industry associations representing copyright and consumer-goods industries report high levels of piracy and infringement of all types of copyrighted products. Additionally, U.S. copyright entities report difficulty in entering the Chinese market due to barriers on creative content, which may violate some of China’s WTO commitments. <http://www.iipa.com/rbc/2013/2013SPEC301CHINA.PDF>.

Many consumer-goods companies report that, on average, 20% of their products in the Chinese market are counterfeit. Chinese companies experience similar, or even greater, problems with piracy and counterfeiting. Compounding these problems are widespread squatting of other’s trademarks, company names, domain names, and design patents, employee theft of trade secrets, and smuggled exports of infringing products. Chinese-origin infringing goods can be found throughout the world.

In fiscal year 2012, United States Customs and Border Protection (CBP) and Immigration and Customs Enforcement/Homeland Security Investigations (ICE/HSI) seized 22,848 shipments of IP-infringing goods and 697 web sites connected with these products. The Manufacturer’s Suggested Retail Price (MSRP) the seized products totaled \$1.26 billion. China continues to lead as the primary source for counterfeit and pirated goods seized, accounting for 72%, or \$906 million, of the total MSRP. Handbags and wallets were the principal commodity seized. The MSRP for these seizures increased 142.2% from fiscal year 2011. http://cbp.gov/xp/cgov/newsroom/news_releases/national/01172013_2.xml.

Limited market access for products such as foreign movies and entertainment software, as well as restrictions in investment in distribution channels, provide additional incentives for smugglers and counterfeiters. To the Chinese authorities’ credit, they have conducted tens of thousands of raids at both the manufacturing and the retail level, confiscating thousands of counterfeit or smuggled products. Nonetheless, large open

markets continue to sell pirated and counterfeit products despite repeated U.S. Government requests to shut down these venues and prosecute the offending merchants. These markets are located prominently in major Chinese cities or at border crossings, such as the Silk Street Market in Beijing or the Lo Wu Commercial Center at the border between Shenzhen and Hong Kong.

IPR Enforcement Strategies

Any U.S. company or individual anticipating or encountering problems arising from IPR infringement in China should consider an appropriate strategy to minimize the risks and actual losses. Assistance can be found in the IPR Toolkit hosted at the web site of the U.S. Embassy in Beijing: <http://beijing.usembassy-china.org.cn/ipr.html>. Combating IPR violations in China is a long-term, multi-faceted undertaking that is linked to rule-of-law developments in Chinese society. Different industries have pursued distinct strategies, based on a variety of factors: the pervasiveness of the IPR violation; the sophistication of the counterfeiter; the level of difficulty in delivering legitimate product through proper channels; the type of intellectual property being infringed; the effect of the violation on public health, safety, or business interests; the familiarity of Chinese administrative or judicial organs with the type of violation; and the budget and resources available. The United States looks forward to the day when China engages in fair, robust, and deterrent IPR enforcement for all rights holders. That is a goal towards which China still is working. In certain circumstances, however, American companies may be able to obtain some relief for export-oriented infringement activities through litigation or engaging Customs enforcement outside of China.

In 1998, foreign multi-national companies in China formed a coalition, the Quality Brands Protection Committee (QBPC), to focus attention on trademark counterfeiting, and to propose solutions for strengthening enforcement. Chinese agencies acknowledge QBPC as an organization authorized to protect Chinese as well as foreign products; it has been recognized internationally for its enforcement efforts. QBPC offers technical support for trademark enforcement in China, as well as other areas involving IPR protection. Several other organizations involved with intellectual property matters also have a presence in China, subject to certain limitations that the Chinese Government imposes. These include the Research and Development Pharmaceutical Association of China, the Business Software Alliance, the Motion Picture Association, the International Federation of the Phonographic Industries, and the International Trademark Association. Some U.S. trade associations representing specific industries also have offices in China and focus considerably on IPR issues, such as the Semiconductor Industry Association. Other broad industry organizations in China, such as the U.S. Information Technology Office, the American Chamber of Commerce (with branches in major Chinese cities), and the U.S.-China Business Council have been active in IPR issues as well.

Chinese authorities are addressing the need for increased education on IPR matters through establishment of IPR law centers at many universities, notably People's (in pinyin "Renmin") University, Peking University, Tsinghua University, the Chinese University of Politics and Law, Fudan University, Jinan University, and South China University of Technology. Chinese IPR professionals also are studying in foreign countries, frequently with the assistance of international organizations. In the past several years, the United States and other foreign governments, as well as private organizations, have conducted numerous national and local training initiatives, focusing on China's WTO obligations, including its civil, criminal, administrative, and Customs

enforcement. We look forward to continued engagement which will help improve China's IPR regime.

IPR Enforcement Systems

Administrative enforcement measures usually are the first avenue of recourse in addressing infringement. A disadvantage to administrative action is that it is only a local remedy, lacking nationwide efficacy. The decision-making process often lacks transparency, with the potential for local protectionism to be a significant impediment to effective enforcement action. Administrative enforcement agencies also require assistance from law-enforcement authorities to conduct raids, necessitating cooperation and coordination that can be lacking among disparate Chinese departments.

Chinese Government agencies most often involved in administrative enforcement actions include the following: the State Administration for Industry and Commerce; the General Administration of Customs; the National Copyright Administration; the National Anti-Pornography and Anti-Piracy Office; the Administration for Quality Supervision, Inspection, and Quarantine and their sub-national counterparts. China Customs frequently is involved with administrative actions concerning trademarks. If the rights holder has registered its trademark with Customs, the agency can detain or confiscate products bearing the infringed mark upon either import or export, and levy fines. However, such confiscations usually require the posting of a substantial bond at the port where the goods are seized.

Other national and local Chinese Government agencies also are involved with IPR policy and enforcement, some of which have overlapping responsibilities with other organizations and/or concurrent enforcement authorities. Jurisdiction on key issues is often fragmented, making coordination of enforcement efforts difficult. The branch offices of the U.S. Patent and Trademark Office in China (located in Beijing, Guangzhou, and Shanghai) would like to hear from companies with specific proposals to work with Chinese enforcement agencies in helping them to identify infringing goods and improve enforcement in specific industrial sectors.

China's current IPR laws generally provide referrals for criminal prosecution when the threshold for a criminal IPR violation has been reached. Such measures have become increasingly important in addressing high piracy and counterfeiting rates, and deterring organized crime, which now is involved in various forms of IPR piracy and counterfeiting, and laundering ill-gotten gains through purchasing and selling of infringing goods. Thresholds for criminal prosecution, however, are quite high. Police and prosecutors (who are part of China's national prosecution service known as the Procuratorate) may lack familiarity with IPR criminal matters. As a result, these authorities may require an excessive level of formality concerning evidence from a victim, including repetitive authentication and consularization of documents. Still developing in China are the relationships between administrative and criminal causes of action, the handling of recidivists, and the preservation of evidence. China has published various procedural rules for improving the transfer of administrative cases for criminal prosecution. As yet, however, this has not resulted in a significant increase in criminal referrals.

China continues to determine the magnitude of certain IPR violations and penalties through the posted sales price of an infringing product, rather than the harm posed to the rights holder. In December 2004, China's Supreme People's Court and Supreme

People's Procuratorate issued a Judicial Interpretation that lowered the monetary thresholds for criminal prosecution in IPR cases. The Judicial Interpretation also changed the requirement that a minimum amount of sales be proven, instead requiring only that a minimum value of illegal business activity be proven. Now, contrary to prior practice, large amounts of unsold infringing product can form the basis for a criminal prosecution. The Judicial Interpretation, however, lacks a clear formula for valuation. As a result, only a modest increase in criminal trademark prosecutions has resulted. Some cases have not been pursued or have resulted in light penalties because the courts have utilized the minimal value of the counterfeit product, as opposed to the retail price of the legitimate product, to calculate the amount of ill-gotten gain. Consequently, meeting the threshold for criminal prosecution is that much harder to meet.

In 2006, China developed a national network of 50 IPR complaint centers, with a "12312" hotline number, effective throughout China. Since then, the Ministry of Commerce has renamed them as "12312 Commercial Complaint Centers," and is responsible for their management. These call centers handle not only IPR complaints, but also reports concerning complaints about stores and establishments. The Ministry of Commerce requires that each province and larger municipalities establish a "12312 Commercial Complaint Center." Additional information may be found at www.12312.gov.cn. Note, though, that the site is presented only in Chinese. Another hotline is "12315" for consumer-protection issues, under the direction of the State Administration for Industry and Commerce. Each year, China commemorates March 15 as "National Consumer Protection Day."

China also has specialized IPR tribunals in major and secondary cities, and an IPR division in the Supreme People's Court. China, though, lacks specialized criminal IPR prosecutors, such as those with the Computer Crime and Intellectual Property Section of the U.S. Department of Justice. In late 2005, authorities established a dedicated criminal intellectual property office within the Ministry of Public Security, which has developed investigative templates for police officers involved in intellectual property matters.

As part of its WTO TRIPs obligations, China provides for appeals of final decisions from the State Intellectual Property Office and the China Trademark Office regarding patent and trademark applications, respectively. The Supreme People's Procuratorate, akin to a chief national prosecution office, operates independently, and is co-equal to the courts and other parts of the executive branch. Though the quality of Chinese judges, prosecutors, and police officers continues to improve, many, particularly those in the less developed regions of China, lack adequate legal training, resulting in reduced effectiveness of criminal prosecutions. The Supreme People's Court, however, has issued interpretations of Chinese laws addressing many of China's international IPR obligations, including internet-related copyright and domain-name disputes. The Supreme People's Court also has issued certain interpretations to implement China's TRIPs obligations that provide preliminary injunctive relief for various IPR matters. China's recently revised Civil-Procedure Law also allows for more pre-trial evidentiary preservation and temporary injunctions to stop infringing conduct.

Patents

In 1998, China reorganized its patent office in an effort to improve IPR coordination and enforcement, and renamed it the State Intellectual Property Office (SIPO). SIPO is an integral player in China's National IP Strategy, which was announced in 2008.

Domestic and foreign patent applications have increased steadily since China's Patent Law was first enacted in 1984. Recently, the Patent Law was revised for the third time, and went into effect on October 1, 2009. The law is currently under revision for a fourth time and is expected to be presented to the State Council in 2013.

In January 1993, patent protection was extended to pharmaceutical and chemical products, as well as processes, and the period of invention-patent protection was extended to twenty years from the date of filing. At that time, other amendments empowered the patent holder with the right to exclude others from importing infringing products, and prohibited the unauthorized sale or importation of products manufactured with the use of patented processes. As yet, China does not provide similar protection for certain biotechnology and business-method patents as is available in the United States.

On January 1, 1994, China acceded to the Patent Cooperation Treaty (PCT). China now is obligated to perform international patent searches, and conduct preliminary examinations of patent applications. In early 2003, China amended its legislation to further harmonize with international practice regarding examination of PCT applications. Later, in mid-2003, China issued new rules regarding compulsory licensing of patents according to certain defined circumstances and procedures. In late 2005, SIPO promulgated a regulation regarding compulsory licensing of pharmaceutical products to prevent or cure infectious diseases during public-health crises. In 2007, China ratified the protocol amending the WTO's TRIPs Agreement, allowing pharmaceutical products made under compulsory license to be exported to countries lacking production capacity, as well as permanently enabling developing and least-developed member countries to produce or import generic versions of patented drugs to deal with epidemics. The revised Patent Law allows for easier granting of a compulsory license for pharmaceuticals under Article 50, and for semiconductor technology under Article 52. To date, however, there have not been any reported instances of compulsory licensing of patents.

At a slow, but steady, rate, U.S. companies continue to file utility-model and design-patent applications in China. While only cursory examination is performed on these types of applications, the belief now is that some protection is better than none at all. For utility-model patents, foreign ownership of such rights is as low as one percent compared to total registrations. In design-patent matters, Chinese companies, after viewing a new design on a competitor's web site or at a trade fair, have been known to file for protection of the designs belonging to the competitor or foreign company. While such patents may be invalidated, the process is time-consuming and expensive. SIPO has attempted to limit this type of "patent squatting." As a result, American companies increasingly are filing utility-model and design-patent applications to mitigate their exposure, though this practice is less commonly employed in the United States. U.S. entities also should consider obtaining other appropriate rights, such as trademark registrations, before any public display or product introduction in order to minimize problems. Doing so ensures obtaining priority filing dates and, in the case of patents, lessens exposure to other issues, such as lack of novelty.

Some Chinese scholars and officials have argued that patent protection and other IP rights can be a technical barrier to trade, a "monopolistic" or "unfair activity." There are proposals that companies should be forced to follow potentially burdensome and disruptive procedures to disclose and license their patents as part of a national

standards-setting process. Separately, Chinese companies have been instituting unfair-competition cases against their competitors. With the 2007 enactment of the Anti-Monopoly Law, all of these risks need to be carefully evaluated, particularly in certain industrial sectors. A China-based IP law firm would be invaluable in assisting a rights holder with coordinating a strategy to protect this critical asset.

China's Patent Law currently does not afford patent-term restoration, which would extend a patent term due to delays in obtaining marketing approval for patented pharmaceutical products. There also is no formal mechanism to allow for the expeditious resolution of patent disputes that may occur prior to marketing authorization (often referred to as "patent linkage"). In addition, innovative pharmaceutical companies face the following challenges: widespread counterfeiting; extensive availability of IPR infringing (and often poor quality) bulk active ingredients; and delays and restrictions in market access for their products. In 2007, an agreement was signed between our governments that facilitated further cooperation in addressing the scourge of Chinese-origin counterfeit and substandard pharmaceuticals, foods, and other products. It is hoped that China will adopt further measures to improve the climate for pharmaceutical research and development.

Copyrights

In March 1992, China established bilateral copyright relations with the United States. In October 1992, it acceded to both the Berne Convention for the Protection of Literary and Artistic Works and the Universal Copyright Convention. In April 1993, China joined the Geneva Phonograms Convention. Following accession to the Berne Convention, China explicitly recognized computer software as a literary work, granting fifty years of protection to computer programs without mandatory registration requirements for foreign rights holders. In addition to amendments to China's Copyright Law, its Supreme People's Court has taken steps to address digital and internet-based copyright issues. In March 2007, China acceded to the two WIPO Internet Treaties, known formally as the WIPO Copyright Treaty and WIPO Performance and Phonograms Treaty.

In June 2012, Beijing hosted WIPO diplomatic negotiations, culminating in representatives of 55 countries signing the Beijing Treaty on Audio-Visual Performances. This multi-lateral accord addresses copyright issues unique to audio-visual presentations, and further defines performer's rights.

China is currently in the process of revising its Copyright Law. The amendments are currently before the State Council. Once the State Council approves the amendments, they will then be passed on to the National People's Congress, China's legislative body.

Copyright policy and enforcement are divided among several Chinese agencies, resulting in confusing multi-jurisdictional challenges. These agencies include the Ministry of Culture, the National Anti-Pornography and Anti-Piracy Office, and the General Administration of Press, Publication, Radio, Film and Television (GAPPRFT)

In March 2013, as part of its efforts to streamline the government, the State Council announced the merger of the General Administration of Press and Publication, responsible for print media, with the State Administration for Radio, Film, and Television, which regulates broadcasters. The new entity, the GAPPRFT, combines print- and

broadcast-media regulation into one organization. The National Copyright Administration resides in the new GAPPRFT.

Internet piracy is a widespread phenomenon, particularly as internet penetration spreads throughout China. Industry groups report that piracy on university campuses is widespread, including textbook piracy and illegal downloads of music, movies, and other digital data over university networks. The United States continues to request increased governmental coordination as well as legislative changes in copyright enforcement.

Inadequate market access for foreign films, books, and music has led to a large black market for these goods. China does not confer publishing rights for foreign music and book firms. In certain circumstances, it requires compulsory licensing of some books used to implement national education plans. Delays occur during content review of entertainment software, whereby at least two ministries evaluate the internet-based content as well as the physical (i.e. optical disc-based) content.

China maintains a ceiling on the number of foreign films allowed to enter the country. However, in a positive development, in February 2012, China agreed to increase the number of foreign films from 20 to 34 titles. In 2003, China authorized a then-new company, Huaxia, to distribute foreign films, creating a duopoly in place of the China Film Group's earlier monopoly. However, these two companies still are subject to the same ceiling of 34 revenue-sharing foreign films per year. Neither distributor comes close to fulfilling the market's demands, relegating consumers to purchase pirated DVDs (digital video discs) or VCDs (video compact discs) or to download unauthorized copies, in order to watch films that are not otherwise legally available. Periodically, the former State Administration for Radio, Film, and Television would impose *de facto* or *de jure* blackouts, or suspend content review of new releases, causing concern to many rights holders.

Trademarks

Based in Beijing, the China Trademark Office is a sub-agency of the State Administration for Industry and Commerce, and is the most active trademark office in the world measured by the number of applications filed. This arrangement is similar to that of the United States Patent and Trademark Office, an agency of the United States Department of Commerce. China's trademark regime generally comports with international standards, with the principal exception being China's historical lack of equal recognition accorded to foreign well-known trademarks.

Under China's trademark law, foreign companies without a presence in China must utilize a registered Chinese trademark agent or Chinese law firm to submit a trademark application. Foreign attorneys or the Chinese agent may prepare the application. China's trademark law is undergoing revision before the National People's Congress, with a new law likely to be promulgated in 2014.

In 2003, China revised its ministerial regulations for well-known marks. The rules require companies alleging infringement to prove that their marks are well-known within China based on sales, marketing, and advertising figures. As a result, some foreign marks have achieved well-known-mark status, and should be accorded the same enhanced enforcement available to domestic Chinese well-known marks. In addition to the administrative registration process, China's civil courts have recognized trademarks as

well-known. In 2007, a Beijing court recognized an unregistered foreign mark as well-known, a first in Beijing and an important step in according protection for foreign marks. However, recognition of a foreign mark as well known is extremely rare; rights holders still should consider securing their rights in a timely fashion through the appropriate registration procedure. Another major challenge is the lengthy delay in examination of new trademark applications due to the rapid growth in filings. U.S. entities are advised to file as early as possible.

Geographical Indications

China protects geographical indications (GIs) using several different mechanisms. One scheme uses certification and collective marks under the trademark system. The China Trademark Office is responsible for protecting GIs in this manner.

Separately, China has an unusual two-agency *sui generis* system for registration of GIs, the first under the Administration for Quality Supervision, Inspection, and Quarantine (AQSIQ) which roughly is the equivalent of the United States Consumer Product Safety Commission, and the second for agricultural products administered through the Ministry of Agriculture. Note, however, that neither the AQSIQ nor the Ministry of Agriculture can protect a GI as a trademark. To acquire protection of a GI as a trademark, it must be registered with the China Trademark Office.

In October 1989, China joined the Madrid System for the International Registration of Marks, otherwise known as the Madrid Protocol, allowing for reciprocal trademark registrations to member countries. The United States acceded to the Madrid Protocol in 2006.

Trademark Squatters

China has a "first-to-file" system which can allow an unscrupulous third party to attempt registration of popular foreign and Chinese marks without knowledge of the legitimate trademark owner. Trademark "squatters," as well as domain-name "squatters" (see below), have the potential for creating all manner of problems when the legitimate rights holder attempts to register its mark or domain name. Consequently, foreigners seeking to do business in China should consider registering their word mark and/or design mark, the Chinese-calligraphy equivalent of the word mark, the pinyin transliteration, and the internet domain name as soon as is practicable.

In addition to Mainland China, rights holders would be well-advised to consider registering in Hong Kong and Taiwan their marks and the variants discussed. On occasion, the China Trademark Office will cancel registration of marks held in the name of Chinese agents of U.S. distributors who, without authorization, registered such marks in their own name. Separately, the State Administration for Industry and Commerce registers company and enterprise names.

In September 2010, China, the United States, Japan, and the European Union met in Beijing to convene the first-ever conference focusing on the trademark-squatting issue in China. Of special note was the fact that instead of only foreign interests complaining about trademark squatting, numerous Chinese rights holders and trademark attorneys voiced their concern about the issue as well. In June 2011, a follow-up meeting was held in Beijing.

Domain Names

A domain name serves as an internet address. A trademark can consist of words, names, designs, sounds, and/or colors that serve as a source indicator, distinguishing goods and services of one provider from others. The “.cn” domain-name suffix is very similar to non-Chinese domain names, and can lead to confusion as to the source of goods and services. The China Internet Network Information Center (CNNIC), under the Ministry of Industry and Information Technology, authorizes service providers to register “.cn” domain names.

In the summer of 2007, following CNNIC guidance, many of these authorized registrars voluntarily reduced their registration fees, and, in some cases, maintaining for one year, a “.cn” domain name for as little as RMB 1 or approximately \$0.16. This has led to a proliferation of unsolicited offers to U.S. domain-name owners from Chinese individuals and businesses, offering to register their domain names as “.cn” names. When Americans do express interest, they sometimes are advised that the “.cn” version of their domain name already has been registered, but can be purchased at an exorbitant price from domain-name squatters. The Patent and Trademark Office and the Commercial Service commend CNNIC’s English-language web site, <http://www1.cnnic.cn/IS/CNym/>, to those interested in learning more about China’s domain-name administration, registration, and structure. The site lists all authorized “.cn” domain-name registrars, and provides information on how to search for, register, dispute, and cancel “.cn” domain names.

Trade Secrets

Chinese and foreign companies in China widely pursue trade-secret protection. “The Law to Counter Unfair Competition” protects commercial secrets, defined as information which can bring economic and practical benefits to authorized users, and are protected through appropriate security measures of a business operator. Commercial secrets include operational and technical information not available to the general public.

China is obligated to protect trade secrets under the TRIPs Agreement. Sanctions include civil remedies such as damages, administrative sanctions such as fines, and criminal penalties for “serious violations.” Laws and rules of the Ministry of Labor and Social Security and other ministries at the national and local level provide for enforcement of non-compete provisions concerning employees with access to business-sensitive information. In order for such non-compete provisions to be effective, however, reasonable compensation must be provided to the employee.

The TRIPs Agreement also mandates that China provide protection for certain non-disclosed clinical data used in securing regulatory approvals. The Ministry of Agriculture has adopted implementing rules for this TRIPs obligation. In 2002, the State Food and Drug Administration (SFDA) began applying the “Implementing Regulation of the Pharmaceutical Administration Law of the People’s Republic of China,” containing Article 35 which addresses the protection of clinical trial data against unfair commercial use (often referred to as “data protection”). However, implementation of data protection remains poor, with numerous examples of competing products being approved by the SFDA prior to the expiration of the 6-year term.

Layout Designs of Integrated Circuits

China adopted regulations for the protection of integrated-circuit layout designs as part of its WTO accession. The State Intellectual Property Office registers these designs. Administrative and civil enforcement measures exist to protect these designs.

Regulation of Technology Licensing

Laws governing foreign investment contain provisions requiring transfer of intellectual property as part of the equity contribution of foreign-invested enterprises. A new regulatory scheme has replaced China's 1985 rules on technology-import contracts, and regulations on technology export, which included contract licensing, patents, trademarks, know-how, trade secrets, and contracts for technical services. Technology-licensing contracts now are submitted to the Ministry of Commerce or its provincial offices for filing, rather than for substantive review. The former restriction that most technology contracts not extend beyond ten years has been removed. Current regulations, however, require that any improvements in technology which a foreigner licenses to a Chinese entity now belong to that Chinese licensee.

China also imposes other controls on exports of technology to address its own commercial and national-security concerns. Some foreign companies complain that many Chinese localities continue to impose burdensome requirements on technology transfers, and intervene in commercial negotiations, despite changes in Chinese law that require only recordation, but not review, of such agreements. Moreover, proposed revisions to other laws may affect the ability of foreign-owned, China-based research and development institutions to file patents overseas without first obtaining a foreign filing license or equivalent.

In addition, the Chinese Government continues to seek new technology through selective introduction of foreign investment and technology transfer. The United States recognizes the critical role of innovation in development and improvement of living standards in the United States and China. In the name of promoting "indigenous innovation," though, government innovation-related policies and other industrial policies may disadvantage foreign rights holders. This is accomplished through preferences for domestically developed technology over imported ones, and using various forms of commercial and regulatory leverage to compel foreign rights holders to license or transfer "core technology" to domestic Chinese entities. The United States and China have agreed in principle that technology transfer should be a commercial decision between commercial enterprises acting independently of government interference. The U.S. Government will continue to work with China to ensure that this belief is upheld in reality, as well as in principle.

IPR Protection at Trade Fairs

In 2006, the Ministry of Commerce, the State Administration for Industry and Commerce, the National Copyright Administration, and the State Intellectual Property Office jointly presented the "Protection Measures for Intellectual Property Rights during Exhibitions." These guidelines, which are not mandatory, recommend that trade fairs lasting at least three days in duration should establish "IPR Complaint Centers" staffed with personnel from local bureaus that handle trademark, copyright, and patent issues. If the organizer decides against having an on-site IPR complaint center, it is supposed to assist

complaining rights holders with contacting local IPR authorities to register their complaints for resolution. Various localities have issued similar rules, including the Beijing municipality in 2007.

These 2006 guidelines, which seek to remove infringing goods from displays through cooperation between local IPR authorities and trade-fair organizers, operate on a “three-strikes-and-you’re-out” principle. To date, though, anecdotal evidence from complaining U.S. rights holders suggests that some local IPR authorities are slow to embrace this initiative, and some have refused to get involved even after trade-fair organizers have contacted them. Even where IPR complaint centers have been established, documentary requirements for rights holders to establish their rights have been inconsistent and overly burdensome. When U.S. rights holders have documented their ownership rights to the satisfaction of the staffers at the IPR complaint centers, alleged infringers are merely given a warning to remove the offending products from their displays. In some instances, rights holders discover that infringers bring out again the offending products once they believe that the authorities have departed.

At the beginning of 2007, the Department of Commerce launched an initiative to protect IPR at trade fairs that it sponsors or supports. The plan seeks to ensure a basic level of IPR protection at any trade fair which the Department and/or the U.S. Commercial Service sponsors or provides substantial support. It requires that all U.S. exhibitors attest that they have not knowingly infringed IPR, a declaration that all Department-supported trade fairs eventually will require. The initiative requires the organizers of U.S. Pavilions and members of the U.S. Commercial Service to explain to American exhibitors the IPR protection policies of each trade fair. They also must be ready to assist U.S. exhibitors in securing legal representation to enforce their rights during the fair.

The China Mission of the U.S. Patent and Trademark Office continually reviews the IPR complaint centers of various trade fairs and shows, and their policies and procedures, monitors the complaint center’s effectiveness during a fair event, and collaborates with China’s Ministry of Commerce and IPR authorities to improve the effectiveness of IPR protection.

Protection of Property Rights

As outlined in the “Dispute Settlement and Protection of Property Rights” sections of Chapter 6 entitled “Investment Climate,” the Chinese legal system mediates acquisition and disposition of property. Besides the weaknesses of Chinese courts outlined below, there are limits on ownership of two significant property rights in China: real estate and intellectual property.

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the United States and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at www.StopFakes.gov.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the United States Patent and Trademark Office (USPTO) at: **1-800-786-9199**.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.
- For U.S. small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: www.StopFakes.gov This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers China at:
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Due Diligence

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While China is one of the most promising global markets, it is also one of the most challenging environments for American companies. Many U.S. companies are able to profitably enter and operate in the Chinese market, but each year a large number of firms face serious difficulties that frequently result in costly and disruptive local business disputes.

A large number of these disputes might have been successfully avoided through due diligence. The primary causes of commercial disputes between Chinese and American companies include breach of contractual payment obligations, irregularities in accounting practices, financial mismanagement, undisclosed debt, and the struggle for control within joint ventures. These problems can be minimized by investigating the financial standing and reputation of local companies before signing contracts or entering into a partnership agreement.

Both U.S. and Chinese service providers with offices in China conduct due diligence investigations. The fees charged by these companies should typically be considered a worthwhile investment to ensure that the local customer or partner is financially sound and reliable. As a part of the overall due diligence process, CS is able to assist American companies to evaluate potential business partners through its International Company Profile service. As a general rule of thumb, CS in China strongly encourages more due diligence in China than one would typically need in the United States. CS also supplies a number of useful reference documents to help identify and minimize business risks in China.

Local Professional Services

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The system for regulation of foreign commercial activity in China is difficult to navigate and is not transparent. Companies new to the market are strongly encouraged to retain professional services to structure commercial transactions. Establishing a wholly foreign owned subsidiary, joint venture, or representative office requires compliance with complex contract approval requirements, business registration requirements, taxation regulations and statutes, and labor regulations. Many U.S. banks, accountants, attorneys, and consultants have established offices in China and are familiar with Chinese requirements. Some Chinese professional service providers also have substantial experience serving foreign clients.

Accountants

Chinese law requires representative offices and foreign-invested enterprises to engage the services of accountants registered in China to prepare official submission of annual financial statements and other specified financial documents. Therefore, only Chinese accountants and joint venture accounting firms may provide these services. All of the major U.S. accounting firms have established offices in China and provide services including audit, tax and advisory services, the preparation of investment feasibility studies, and setting up accounting systems that are in compliance with Chinese law.

Attorneys

Over one hundred U.S. and international law firms have received approval to register in China as foreign law firms, and currently operate in China. Foreign law firms registered in China are restricted to advising clients on legal matters pertaining to the jurisdiction where they are licensed and general international business practices. Although a foreign lawyer may not offer a legal opinion, clients can obtain assistance with structuring transactions, drafting contracts and resolving disputes. Only attorneys licensed in China may appear in court and provide legal advice on Chinese legal matters. Chinese lawyers are allowed to work at foreign law firms, but they may not practice law as licensed Chinese attorneys. Foreign lawyers are not permitted to qualify to practice law in China and are not allowed to form joint ventures with Chinese lawyers.

The legal services that a foreign law office can provide are limited to: 1) providing consulting services to its clients with regard to the home legal affairs for which it is licensed and international conventions and practices; 2) providing legal services to its clients or Chinese law firms with regard to legal affairs in the country/region for which it is licensed; 3) entrusting Chinese law firms with regard to China legal affairs on behalf of its foreign clients; 4) establishing long-term contractual relationships with Chinese law

firms with regard to legal clientele; and 5) providing information with regard to the impact of Chinese legislation.

The U.S. Embassy in Beijing offers a list of attorneys in China, but it offers this disclaimer about the list it offers: The U.S. Embassy in Beijing, China assumes no responsibility or liability for the professional ability or reputation of, or the quality of services provided by, the following persons or firms. Inclusion on this list is in no way an endorsement by the Department of State or the U.S. Embassy. Names are listed alphabetically, and the order in which they appear has no other significance. The information in the list on professional credentials, areas of expertise and language ability are provided directly by the lawyers. You may receive additional information about the individuals by contacting the local bar association (or its equivalent) or the local licensing authorities.

http://beijing.usembassy-china.org.cn/acs_legal.html

Management Consultants

Foreign companies new to the Chinese market often engage the services of local consultants to develop market entry strategies, conduct due diligence investigations, and identify potential investment partners, sales agents and customers. Most of the major foreign consulting firms are active in the Chinese market, along with a number of small niche players, as well as many local companies.

Advertising

Almost 100,000 advertising firms exist in China, of which perhaps 400 are foreign invested enterprises. Many major international advertising firms have established a presence in China. Companies new to the market can gain valuable advice from top-notch advertising firms on how to craft an effective advertising strategy that is responsive to Chinese consumer preferences and cultural differences. Advertising is strictly regulated in China, and penalties for violation of the law through misleading advertisements, unauthorized use of national symbols, or other prohibited forms of advertising are subject to fines.

The U.S. Commercial Service maintains lists of U.S. law, accounting and consulting firms with offices in China, as well as lists of Chinese firms with whom the Commercial Office or its customers have had favorable dealings. Local professional services can be found at: http://www.buyusa.gov/china/enbsp_listing.html.

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U.S. Commercial Service, U.S. Department of Commerce, China (English)
www.export.gov/china

International Trade Administration, U.S. Department of Commerce
www.trade.gov (now built into the [export.gov/china](http://www.export.gov/china) site)

China Trade Show Events
http://export.gov/china/tradeevents/eg_cn_043294.asp

American Chamber of Commerce, China

www.amchamchina.org

American Chamber of Commerce, Shanghai
www.amcham-shanghai.org

American Chamber of Commerce, South China
www.amcham-southchina.org/

U.S.-China Business Council
www.uschina.org

U.S. Embassy, Beijing
beijing.usembassy-china.org.cn/

U.S. Consulate, Shanghai
shanghai.usembassy-china.org.cn/

U.S. Consulate, Guangzhou
guangzhou.usembassy-china.org.cn/

U.S. Consulate, Chengdu
chengdu.usembassy-china.org.cn/

U.S. Consulate, Shenyang
shenyang.usembassy-china.org.cn/

The Chinese Central Government's Official Web Portal
<http://english.gov.cn/>

Guide to Investment in China (site of China's Ministry of Commerce)
<http://fdi.gov.cn/index.htm>

American Chamber of Commerce 2011 American Business in China Whitepaper
<http://www.amchamchina.org/whitepaper2011> 32

American Chamber of Commerce 2011 Business Climate Survey
<http://www.amchamchina.org/businessclimate2011>

Business Forum China
<http://www.businessforum-china.com/>

The Council of American States in China (CASIC)
http://www.casic.us/index_en.asp

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Chapter 4: Leading Sectors for U.S. Export and Investment

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Safety and Security

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Unit: USD millions

	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	\$4,787	\$5,607	\$6,570	\$7,550
Total Local Production	\$4,605	\$5,363	\$6,030	\$6,580
Total Exports	\$321	\$270	\$280	\$280
Total Imports	\$619	\$512	\$460	\$460
Imports from the U.S.	\$139	\$110	\$110	\$120

Data Sources: China Customs, Zeefer Consulting

In 2012, due to increased demand from urban construction, transportation infrastructure development, finance, education, and the military, the market for safety and security equipment in China reached \$ 5.6 billion, a 16% increase over 2011. These industries will remain robust over the next few years.

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Much of the demand for safety and security demand focuses on high-tech equipment, such as digital technology, network technology for inspection control systems, emergency warning systems, detection equipment, and access control systems.

Digital technology, network technology for inspection control systems

Due to the Chinese government's implementation of the "Safe City" safety and security policy and because of industry's requirements for expanding video-monitoring coverage, the network video-monitoring market continues to show strong growth. The market for control systems in transportation, commercial residential building, public security, the courts, and financial fields accounts for about 55% of total demand.

Emergency warning systems

There is strong demand for emergency warning systems for airports. Foreign companies dominate the market for high-end products, leading the trend towards integrated safety and security systems.

Detection Equipment

China's domestic manufacturers lack capacity to produce enough equipment. Thus, foreign products in this field are in high demand.

Access control systems

Access control systems are used mainly in traffic control and management. Applications for monitoring people in intelligent building operations also have enormous market potential. China's domestic manufacturers mainly dominate the access control system market for physical identification; foreign companies dominate the market for high-end products such as biometric identification.

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The safety and security sector remains a highly-regulated industry in China. U.S. exporters should look for opportunities to cooperate with Chinese engineering firms that have close connections with the Chinese government.

The 5th Shanghai International Disaster Reduction and Security Exhibition
October 17-19, 2013
Shanghai World Expo Exhibition Center
<http://www.disasterchina.org>

The 14th China Public Security Expo
October 29-November 1, 2013
Shenzhen Convention & Exhibition Center
<http://www.cpse.com.cn>

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Automotive

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China is the world's largest automotive market. The Chinese automotive market's sales now accounts for 19.3 million units, up from 18.5 million units in 2011, a 4% increase. Total sales of passenger cars (which exclude buses and heavy trucks) grew 7% to 15.5 million units in 2012. Total sales of commercial vehicle sales was 3.8 million units, down 5% from 2011. Although sales of commercial vehicles experienced a slight downturn, China has maintained its place as the world leader in both production and sales for the fourth consecutive year.

The top ten car manufacturers in 2012 were: Shanghai GM, FAW-Volkswagen, Shanghai Volkswagen, Beijing Hyundai, Nissan-DFM, Changan Ford, Geely, Dongfeng Peugeot Citroen, Chery and FAW Toyota. These ten companies accounted for 66% of total Chinese car sales volume in 2012. The top ten Chinese car manufacturers were: SAIC, Dongfeng, FAW,

Chang'an, BAIC, GAC, Brilliance, Great Wall, Chery, and Geely, several of which have partnerships with foreign manufacturers. SUVs are expected to contribute around 13% of China's personal vehicle sales in 2012, compared with about 5% in 2004.

Hybrid Electric Vehicles (HEV), Plug-in Hybrid Electric Vehicles (PHEV) and Battery Only Vehicles (BEV)

China encourages the development of clean and fuel efficient vehicles in an effort to sustain continued growth of the country's automobile industry. As part of the 12th Five-Year Plan (12FYP), the Chinese government plans for new passenger vehicles to achieve a 30% reduction in energy usage and a 15% reduction in emissions. For commercial vehicles, the plan aims to achieve a 12% reduction in energy usage and a 20% reduction in emissions.

In addition, the central government aims to promote alternative energy vehicles, especially BEV and PHEV with a goal of having a 500,000 unit BEV and PHEV fleet by 2015. The government plans to invest heavily in alternative fuels, hybrids, and battery swapping technologies. However, they do not actively engage in commercial affairs, so new technology companies may be better off exploring commercial opportunities directly with the Chinese automobile industry. Chinese domestic automakers, such as Chery, BYD, BAIC, and SAIC, continue to grow and are expanding manufacturing overseas, particularly in Africa and Mexico. This is so they can gain a foothold in emerging markets and grow their businesses as the domestic market slows.

These automobile companies are also in search of new technologies, investments in, and acquisitions of foreign auto firms in the United States and Europe. There is also demand for motorcycles, especially electric motorcycles, by lower-end consumers who are starting to see increases in their living standards. However, there are restrictions on engine sizes. Certain roads and highways are off limits.

Auto Parts

China has about 6,000 automotive enterprises, which are scattered in five sectors: motor vehicle manufacturing, vehicle refitting, motorcycle production, auto engine production, and auto parts manufacturing. All tiers of the industry are being driven by the booming sales of the Original Equipment Manufacturer (OEM) sector. Nearly 80% of the revenue for the auto parts and accessories market is through new vehicle sales. However, revenue from aftermarket sales is rapidly increasing.

Shanghai and its surrounding provinces (Zhejiang, Jiangsu, and Anhui) are the centers for component manufacturing, representing around 44% of national production. Shanghai is home to Shanghai General Motors, Delphi, Visteon, and other notable American automotive companies. Therefore, Shanghai provides a good starting point for American automotive component exporters to begin to explore the Chinese market. In addition to Shanghai, other major automotive centers in China include: Beijing, Guangzhou, Chongqing, and Changchun.

The following automotive segments are considered to be highly competitive and will be relatively difficult for low tech automotive good segments to penetrate, unless they have an extreme competitive advantage:

- Fabric for seats/interiors
- Floor mats
- Seat covers
- Curtains

- Aluminum die casting
- Rubber bumpers
- Electronic harness cables
- Antennas
- Speakers
- Electric starters
- Vehicle cleaning products
- Window films
- A/C compressors
- Fuel, air and oil filters

Automotive After-Sales Products and Services

China's after-sales products and services still lag far behind those of developed countries despite improvements in this field in the past decade. China's after-sales market now faces the following challenges:

- Establishing an information feedback system with end-users in order to improve service
- Modernizing outdated sales systems
- Increasing the competitiveness of domestic auto parts and accessories
- Counterfeit products

Recreational Vehicles

The Recreational Vehicle (RV) business in China has increased in recent years which will benefit domestic manufacturers and foreign makers alike. Compared with the RV market in North America, China's RV market is small. Chinese buyers bought an estimated 1,000 RVs in 2012, compared with more than 250,000 RVs sold in the United States. With China's first generation of modern entrepreneurs entering retirement, the China RV and Camping Association predicts RV sales in China will increase to 500,000 units annually in 20 years.

China has RVs ranging from roughly \$16,000 to over \$158,000. With the rise of the Chinese middle class, Chinese are beginning to seek a luxury life on the road. In 2011, China imported 150 RVs from the United States and 46 RVs from other countries. In the first eight months of 2012, China imported 108 RVs from the United States and 111 RVs from Germany. Standards are being determined and the Chinese are openly weighing input from both European and United States RV standards models.

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- Energy efficient vehicles and technology, particularly battery swap and plug-in hybrid vehicles
- Key auto parts, include efficient diesel engines, efficient gasoline engines, and spare parts for new energy vehicles
- Recreational vehicles
- Specialty vehicles, including rescue and salvage vehicles
- Aftersales service

Opportunities

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Despite the competitiveness of the market and trade disputes, opportunities exist for American auto makers and parts suppliers. U.S. automakers are opening up new plants, primarily to serve the growing domestic market. Opportunities exist in energy efficient vehicles and technology, particularly with battery swap and plug-in hybrid vehicles, which are being actively promoted by

the central government. There is also the potential for JV partnerships between U.S. and Chinese firms to develop these technologies for the Chinese domestic market as strategies for protecting intellectual property must be considered.

2013 Trade Shows and Events:

China Int'l Expo for Auto Electronics, Accessories, Tuning & Car Care Products (CIAACE 2013)
May 25-26, 2013
Chongqing International Convention & Exhibition Center
<http://www.ciaacexpo.com/html/ciaace.html>

AIT 2013 – All in CARAVANING and All in TUNING 2013
June 15-17, 2013
Beijing, China National Convention Center
<http://www.all-in-caravaning.com/>

China International Automotive Manufacturing Technology and Components Show (AUTOTEC)
July 8-10, 2013
Beijing, China National Convention Center
<http://www.chinauexpo.com/autotec2013/>

2013 China International Auto Parts Exhibition
September 13-15, 2013
Beijing, China International Exhibition Center
<http://en.iapechina.com/>

Automechanika Shanghai 2013
December 10-13, 2013
Shanghai New International Expo Center (SNIEC)
<http://www.automechanika-shanghai.com/>

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Ministry of Transport of China (MOT)
<http://www.mot.gov.cn>

China Associations of Automobile Manufacturers
<http://www.caam.org.cn/>

China Automobile Dealers Association
<http://www.china-cada.org.cn>

China Automotive Technology and Research Center (CATARC)
http://www.catarc.ac.cn/ac_en/index.htm

Department of Mechanic, Electronic and Hi-Tech Industry, MOFCOM
<http://cys.mofcom.gov.cn/>

Certification and Accreditation Administration (CCC Certification)
<http://www.cnca.gov.cn/>

Ministry of Information and Technology, Department of Industries
<http://cys.miit.gov.cn/>

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Aviation

Overview

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Aircraft, Spacecraft, and related parts (HS Code 88) Unit: USD millions

	2010	2011	2012	2013-2030
Total Imports	\$12,399	\$13,794	\$17,727	
Imports from the U.S.	\$5,899	\$5,492	\$7,590	
U.S. share of total imports	48%	40%	43%	
Forecast demand: # of new aircraft				5,260 aircraft
Forecast demand: Import Value				\$550,000 (remainder manufactured locally)

Data Sources: Global Trade Atlas, Boeing CMO, Economist Intelligence Unit, internal analysis

China is one of the world's fastest growing civil aviation markets. The industry has grown at double-digit rates for several years. Industry forecasts expect growth to remain strong over the medium term, averaging 7% over the next 20 years. In order to keep pace with demand, China is forecast to require 5,260 new aircraft valued at \$670 billion over the next 20 years. Most of these will be single-aisle aircraft designed for short-haul domestic travel. Commercial opportunities exist in the civil aviation market for final assembly and tier-one suppliers, small niche parts manufacturers, airport design and construction companies, and general aviation.

U.S. firms without an existing China presence may want to consider hiring a local distributor or representative. This partner generally helps establish access to decision makers and gain timely commercial information about your market. They also traditionally leverage personal connections to promote the U.S. product, and develop sales leads. While this is a common global practice, successful exporters comment on the need to invest significant time and attention to maintaining and managing relationships with Chinese partners. Some U.S. firms decide to enter into a Joint Venture (JV) relationship with Chinese partners, exchanging

technological know-how for market access. This should only be done after significant due diligence and cost/benefit analysis.

U.S. firms often use training programs to establish productive partnerships with Chinese clients. Industry associations such as the U.S.-China Aviation Cooperation Program (ACP) can serve as valuable vehicles for smaller firms to leverage similar opportunities.

Competitors

The size and growth of China's market has attracted nearly all major international manufacturers and service companies. In the past, domestic Chinese firms could not match foreign technology, and they needed to compete based on price and access to decision makers. JVs and aggressive R&D investment are narrowing this gap in certain product categories. Still, China's share of the world export market for commercial aviation products was only 1% in 2011.

Barriers

The Chinese face three key challenges that threaten to limit the industry's growth: inadequate infrastructure, overly restrictive airspace, and limited human resources. In response to over-congestion at its largest airports, China announced plans to invest \$64 billion for construction of 97 new airports by 2021. Then in November 2010, Chinese military and civilian authorities issued a joint statement outlining liberalization of airspace under 13,000 feet by 2020. Personnel training and capacity building are a priority for regulators, airlines, airport operators, and manufacturers. In addition, U.S. firms without a significant on-the ground presence often face additional challenges building relationships, obtaining timely market information, and gaining access to decision makers.

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Aircraft Parts: Manufacture and Repair

Aircraft parts market in China (HS Code 8803) Unit: USD millions

	2010	2011	2012
Total Imports	1,446	1,785	1,737
Imports from the U.S.	545	625	590
% U.S. Imports	38%	35%	34%

Data Sources: Global Trade Atlas

China's import market for aircraft parts and components exceeded \$1.7 billion in both 2011 and 2012, an increase of over 21% compared with year 2010. China's demand for aircraft parts can be attributed to an increasing capacity utilization rate, the age and expansion of China's aircraft fleet, and the domestic production and assembly of aircraft.

There are over 1,700 registered commercial transport aircraft in China with an average age of five years, and as the fleet continues to age, it will require parts and equipment for routine maintenance and repair. Though there are a number of major domestic aircraft and parts manufacturers scattered throughout China, the sector is still underdeveloped, creating a strong demand for reliable imported products and technologies to ensure quality standards.

China's domestic aircraft part and assembly manufacturing sector is also growing. In addition to approximately 200 small aircraft parts manufacturers, there are also a number of regionally-based major manufacturers concentrated in Shanghai, Chengdu, Xi'an, Jiangxi, and Shenyang. China's domestic manufacturing base is developing, as reflected by the commitments of large

aircraft and engine manufactures to expand procurement in China over the long term. However, most highly technical and sophisticated parts and assemblies will continue to be imported until production quality meets international standards.

Airports

China currently has 178 civil aviation airports, including the world's second busiest in Beijing, with plans to expand aggressively to 244 by 2020. The government announced plans to invest \$64 billion to build and improve 97 airports by 2021, including 78 green field projects and a new \$15 billion international airport in Beijing. The expansion will place 80% of China's population and 96% of its GDP within 60 miles of the nearest airport, greatly enhancing the potential for aviation growth.

The airport system suffers from major congestion. The top three airports, Beijing, Shanghai and Guangzhou, account for 1/3 of all traffic, while the top 14 airports handle 2/3 of total traffic nationwide. Local industry estimates indicate that 40 of China's airports are already at or near capacity, with another 29 expected to reach this limit within the next two years. To relieve congestion, China opened 19 new airports from 2009 to 2011.

International companies will have opportunities to participate in both the airport design and in the infrastructure construction. Qualified companies can bid for design, consultation, surveillance, management, and construction of designated civil airport projects. However, the chances for international leading design and construction companies to win the bid are limited, unless partnering with qualified Chinese domestic design and construction companies. So far, the Beijing Capital Airport, Shanghai Pudong Airport, Shanghai Hongqiao Airport, Shenzhen Huangtian Airport, and Guangzhou's new Baiyun Airport are all designed by international companies with local Chinese partners.

Ground service is another area in which foreign companies can actively participate. Beijing Capital Airport, Guangzhou Baiyun Airport, and Chengdu Shuangliu Airport have all established joint ventures with foreign partners (from Singapore, Indonesia and the United Kingdom) in ground services. Shanghai Airport Ground cooperated with Cargo Warehouse and Lufthansa set up a joint venture. China Air Oil Supply Corporation (CAOSC) has established many joint ventures with foreign companies to provide air oil supply services.

General Aviation (GA)

In China, the airspace is tightly controlled by the Chinese military and the airspace class system does not segment out its GA air activities. Strict military control over roughly 70% of all Chinese airspace is the largest single factor limiting growth of this industry. GA is still underdeveloped in China regarding GA aircraft numbers, GA professionals and GA facilities.

However, a welcome change came in November 2010 when civilian and military authorities issued a joint reform document calling for liberalization of low altitude airspace under 4,000 meters (13,000 feet). Implementation of the reform will roll out in three stages, starting with an Experimental Phase in Guangzhou and Shenyang. The policy outlines a national rollout by 2015, and a final deepening and consolidation by 2020. As a result, GA has developed rapidly with new players coming to this market and more involvement of local governments. GA has big potential market driven by the state and local economy development plan, the public demand for business jet, the need for public services, and personal recreation.

China currently has 123 operators registered with the Civil Aviation Administration of China (CAAC), the main stakeholder formulating policies and regulations concerning the safety and economics of GA in China. However, about 80% Chinese operators have only 2 or 3 aircraft, and thus, they struggle to achieve operating scale and profitability. In addition, GA aircraft is very costly to use in China due to airspace access, flight approval procedures, operation charges such as airport charges, and maintenance services. All of these factors contribute to low profitability for Chinese operators.

GA deregulation will accelerate in the following 3-5 years. China is gradually opening its low altitude airspace, which will trigger the booming of this industry. According to CAAC's official source, the GA aircraft operation hours will increase to 300,000 hours in 2015 from the current 140,000 hours, with an annual growth rate of 16%. The GA fleet size will reach over 2,000 GA aircraft in 2015 from the current 1,010 GA aircraft.

Opportunities

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China Commercial Aircraft Summit

2014 dates TDB

Contact: Echo Sun, Marketing Manager

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Fax: +86 21 5058 5987

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echos@opplandcorp.com

<http://www.opplandcorp.com/aero/index.htm>

Singapore Air show

February 11-16, 2014

Venue: Changi Exhibition Center Singapore

Organizer: Experia Events Pte. Ltd

Tel: +65 65428660

Fax: +65 65466062

Contact Person: Mr. Danny Soong

sales@singaporeairshow.com.sg

<http://www.yoursingapore.com>

Description: Asia's Largest Aerospace & Defence Event seeks to create opportunities for aerospace industry representatives to do business, explore the latest innovations and exchange ideas

China Civil Aviation Development Forum

May 16-17, 2013

China World Trade Center, Beijing

Civil Aviation Authority of China (CAAC)

Contact: Richard Wang, Sales Manager

Tel: +86-10- 5825-0412

Fax: +86-10- 64720514

caacforum@camic.cn; info@ccadf.cn; reg@ccadf.cn

<http://www.ccadf.cn/ccadfEN/indexen.htm>

Description: The only aviation event organized by the CAAC, China's largest business & policy event focused exclusively on commercial aviation

7th AvioniChina (China International Conference & Exhibition on Avionics & Testing

Equipment)

October 17-19, 2013

Xi'an Qujiang International Conference and Exhibition Center

Organizer: Grace Fair International Ltd.

Contact: Mr. Jasper Shi, Director Overseas Marketing

Tel: +86-10-6439-0338

jasper@gracefair.com

www.avionichina.com

Description: Avionics products, system and test equipment technology and infrastructure

Air Show China 2014

November 11-16, 2014

Fax: +86-756-337-6415

zhuhai@airshow.com.cn

<http://www.airshow.com.cn/en/>

Description: China International Aviation & Aerospace Exhibition (Airshow China or Zhuhai Airshow) is the only international aerospace trade show in China endorsed by the Chinese central government. It features the display of real-size products, trade talks, technological exchange and flying display.

Web Resources

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News and Analysis

CAAC news: <http://www.caacnews.com.cn/>

Civil aviation industry analysis: <http://www.ocn.com.cn/reports/2006084minyonghangkong.htm>

China Civil Aviation Report: <http://www.UniworldChina.com>

Government Authorities

Civil Aviation Administration of China (CAAC): www.caac.gov.cn

Air Traffic Management Bureau: <http://www.atmb.net.cn>

Center of Aviation Safety Technology: <http://www.castc.org.cn/>

Aircraft Trading Companies

China Aviation Supplies Corporation (CASC): www.casc.com.cn

Airlines

Air China: www.airchina.com.cn

China Eastern Airlines: www.ce-air.com

China Southern Airlines: www.cs-air.com

Shanghai Airlines: www.shanghai-air.com

Spring Airlines: www.air-spring.com

Aircraft Manufacturers

Aviation Industry Corporation of China (AVIC): <http://www.avic.com.cn>

Commercial Aircraft Corporation of China (COMAC): <http://www.comac.cc/>

AVIC Commercial Aircraft Company: www.acac.com.cn

Maintenance, Repair, and Operations Facilities

Aircraft Maintenance and Engineering Corporation (AMECO): www.ameco.com.cn

Shanghai Technologies Aerospace Co. (STARCO): <http://www.staero.aero/starco.html>
Guangzhou Aircraft Maintenance Engineering Co. (GAMECO): www.gameco.com.cn
Taikoo Aircraft Engineering Company Limited (TAECO): www.taeco.com
MTU Maintenance (Zhuhai): www.mtuzhuhai.com
Sichuan Snecma Aero Engine Maintenance Company Ltd. (SSAMC): www.snecma.com

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Environmental Technology

Overview

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After years of breakneck economic growth, China is beginning to recognize the environmental implications of its newfound prosperity. China's environmental degradation results from factors including: a deteriorating natural resource base, a dense population, a heavy reliance on coal, outmoded technology, and underpriced water and energy.

The combination of these forces has resulted in an increasingly negative environmental situation for China's groundwater and soil resources. China's water resources per capita are one quarter of the world average at only 2,200 m³ per capita, and these water resources are unevenly distributed - the northern and western areas have one tenth of the national average. Scarcity, combined with human activity, has taken its toll upon the country's groundwater reserves. Recent data has highlighted that one third of China's river courses, lakes, and coastal areas are severely contaminated as a result of municipal, industrial and agricultural discharges. A report issued last year highlighted that of China's 7 major waterways, only the Yangtze and Pearl rivers passed water quality examinations and nearly 300 million people are currently drinking contaminated water. The latest evaluation of Chinese national groundwater quality suggests that 37% of groundwater resources are bad or very bad, and nearly half of the water samples from 69 cities across the country show traces of harmful organic contamination.

China's ground soil has also suffered from heavy pollution in recent years. Seepage of heavy metals such as lead from industrial sites and increasing pressure to produce greater agricultural harvests through the use of fertilizer has taken its toll. Official statistics show that 13% of China's land mass is contaminated with some form of waste. This equates to almost 1.2 million km² of land.

However, the Chinese government is now increasingly showing a willingness to tackle environmental problems. The 12th Five Year Plan (12FYP) placed an increased emphasis upon environmental protection. In addition, the government has unleashed a burst of environmental legislation, shut down thousands of small, dirty factories, and decreed by 2015 that the country will reduce key pollutant discharge by between 8% and 10% from the 2010 level. According to Bloomberg analysis, it is estimated that in the coming five years, China will invest \$546 billion in environmental protection, accounting for 1.3-1.4% of GDP.

The government has also established specific guidance for promoting groundwater and soil remediation. In 2011 the Ministry of Environmental Protection published the National Groundwater Contamination Pollution Prevention and Remediation Plan (2011-2020) which allocated RMB 37 billion (\$6 billion) to support the implementation of new measures. While the government has been less quick to develop a soil remediation framework, progress is being made. Analysts predict that the National Soil Environmental Protection Plan will be finalized in the near future and expect the government to assign up to RMB 40 billion (\$6.5 billion) worth of funds to tackle this issue. With these developments it is expected that the soil and groundwater remediation markets will grow significantly in coming years.

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Both the groundwater and soil remediation sectors in China are in the early stages of development. As government legislation has begun to lay the foundation for growth, many Chinese companies are beginning to establish operations in these areas. However, at this time, most of these firms are in urgent need of foreign technology in order to effectively provide services. Therefore, U.S. firms looking to enter this market will be presented with a wide range of opportunities.

Groundwater

Current central government legislation has allocated RMB 37 billion (\$6 billion) worth of funds to assist in groundwater remediation efforts. Funding will be allocated in three areas: monitoring, protection, and investigation. Of these three areas, groundwater protection will receive the most funding with RMB 20 billion (\$3 billion).

However, these figures tell only part of the story. Because China operates a financial responsibility mechanism whereby polluters must pay the costs associated with clean up, large companies are expected to spend far more than the state on groundwater remediation. The implication is that spending on remediation could reach into the hundreds of billions of RMB. Based on an examination of the most prevalent forms of pollution in China, analysts from iCET have suggested some technologies will be in particularly high demand. Specifically, the market for heavy metal remediation technologies is expected to be almost RMB 25 billion (\$4 billion) between 2011 and 2020. In the same timeframe, allocations for sewage & landfill and organic waste will equal RMB 16 billion (\$2.6 billion) and RMB 7 billion (\$1 billion), respectively. Given that heavy metal remediation is set to be the largest market in China, U.S. firms with

advantages is phytoremediation, chemical treatment, electrokinetics, and other associated technologies will have strong opportunities.

Soil

China's soil remediation industry is several years ahead of the groundwater sector, but still desperately needs more advanced technology if significant progress is to be made. The government is expected to allocate up to RMB 40 billion (\$6.5 billion) to fast-track the expansion of current programs. These funds will primarily be divided into two project sub-sectors: those that target arable land and those that deal with brownfield sites in urban areas.

China's arable land is under increasing pressure from a number of factors. These include the need to produce ever greater harvests for China's growing consumer class and a shrinking farmland base due to the effects of industrial pollution. Although official statistics are limited, it is estimated that 10% of China's arable land suffers from pollution, mainly from nearby factories that release heavy metals. Overuse of fertilizer is also having an adverse effect on soil quality. On the other hand, the broad trend of moving polluting industries away from urban centers has created a large number of brownfield sites. Although estimates vary greatly, the People's Daily newspaper has suggested that as many as 300,000 brownfield sites are in need of treatment before redevelopment.

These factors are driving policy makers to accelerate soil remediation programs. In China this process typically involves excavation of the contaminated area and then extraction of materials through kiln treatment. However, other more advanced technologies are being piloted. Analysts at iCET have highlighted the need for the implementation of chemical washing, air stripping and thermal treatment processes to improve soil remediation practices in China.

Opportunities

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The 13th China International Environmental Protection Exhibition & Conference

July 23-26, 2013

China International Exhibition Center, Beijing

<http://english.chinaenvironment.org/en.htm>

Aquatech China

June 5-7, 2013

Shanghai International Exhibition Center

<http://www.aquatechtrade.com/china/>

IE Expo

May 20-22, 2014

Shanghai New International Expo Center

Website: <http://www.ie-expo.com/>

Web Resources

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Government Authorities

Ministry of Land Resources: www.mlr.gov.cn

National Development and Reform Commission: www.ndrc.gov.cn

Ministry of Environmental Protection: www.mep.gov.cn

Ministry of Water Resources: www.mwr.gov.cn

General Resources

China Environmental Remediation: www.chinaremediation.com

China Greentech Initiative: www.china-greentech.com

Chinese Association of Environmental Protection: www.chinaenvironment.com

China Urban Water Association: www.cuwa.org.cn

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Education and Training

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U.S. colleges and universities remain the preferred overseas destination for students from China, which remains the leading source of foreign students in the United States. In academic year 2011/12, 194,029 Chinese students travelled to the United States to study. That constitutes a 23% increase from the previous academic year in the number of Chinese students going to the United States this decade.

Year	Number of Students From China To United States	% Change from Previous Year
2011/12	194,029	23.1%
2010/11	157,558	23.5%
2009/10	127,628	29.9%
2008/09	98,235	21.1%
2007/08	81,127	19.8%

Source: *Institute of International Education*

Year	Number of Students From China To United States	% Change from Previous Year
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2014/15(Estimated)	366,459	23.48%
2013/14(Estimated)	295,770	23.48%
2012/13(Estimated)	239,432	23.48%

Source: Estimation based on average over previous five years

Additionally, short-term training programs, technical schools and workshops in specialized fields as well as business education are particularly sought after. In December 2011, China's National Development and Reform Commission (NDRC) along with the Ministry of Commerce (MOFCOM) jointly released a revised edition of the Guiding Catalogue on Foreign Investment in Industry, replacing the 2007 edition. The 2011 revised Catalogue adds "training and vocational education" to the so-called "encouraged" list of industries for foreign direct investment. (The Catalogue includes four categories: "encouraged," "restricted," "prohibited" and "permitted".) U.S. educational organizations can also sell teaching materials and equipment, convey the latest methodologies and case studies, exchange faculty, and provide educational consulting services.

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There's no doubt that the desire by Chinese students to enroll in U.S. institutions is high, fueled by increasing disposable incomes. Although the majority of Chinese students are still pursuing degrees in business, engineering and sciences, there appears to be an increase in demand for vocational classes, and utilization of community colleges to upgrade skills to increase earning potential as well.

U.S. institutions will have to remain active in the promotion of American education in China, as competition for Chinese students from other English-speaking countries increases and as the expansion of the domestic education market in China creates an increasing number of opportunities for students to pursue higher education without leaving China.

A common approach used by U.S. schools to recruit Chinese students is through local education agents. Over one thousand education agents are estimated to exist in China, with about 301 of them having obtained proper licensing from the Ministry of Education (down from around 400 the year before). U.S. schools are encouraged to vet education agents carefully before engaging their services. Bear in mind that the industry lacks sufficient oversight and that complaints about education agents are common. The Commercial Section of the U.S. Embassy and U.S. Consulates can offer guidance regarding how to use reputable, licensed education agents.

Web Resources

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Ministry Of Education, Department of International Cooperation and Exchanges
Tel: 86-10 6609-6275
http://www.moe.gov.cn/publicfiles/business/htmlfiles/moe/moe_2792/index.html

Education Events Approved by China's Ministry of Education

China International Education Exhibition (CIEET) Tour 2014
March 10-25, 2013
<http://www.cieet.com/en/index.asp>

China Education Expo 2013
November 2-3, 2013
<http://www.chinaeducationexpo.com/>

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Franchising

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Franchising shows promise in China. Statistics from China Chainstore & Franchise Association (CCFA) show that enterprises from more than 70 industries have applied for franchise operations, including enterprises from the traditional sectors of catering, retailing, and individual and business services. By the end of 2011, China had 5,000 franchise and chain store companies supporting over 10 million jobs.

Many brands have been lured to China by the increasing disposable income of its growing middle class. This is one of the key drivers that motivated major brands such as Subway and Papa John's to expand quickly in China. Their goal is to fight for a share of the market with well-established early entrants such as KFC, McDonald's, and Pizza Hut.

Challenges to U.S. franchise firms include a relatively weak regulatory system, increasing costs of labor and real estate and a lack of qualified Chinese franchisee candidates. There is no lack of Chinese entrepreneurs willing to invest in a franchised store, but few are competent to manage it. Many local franchisees do not have a good understanding of the franchising concept and lack modern management experience.

A key challenge that slows the take-off of franchising, or for that matter any other foreign business in China, is the widespread violation of Intellectual Property (IP). While regulations are in place, enforcement is weak. The responsibility to track down violations falls on the IP owner. Though registering trademarks may not guarantee the franchisors recourse stemming from IP violations, failure to do so may lead to irreparable consequences. As China grants trademarks on a "first-to-register" basis, there have been cases of individuals maliciously registering another's trademark and subsequently demanding payment for the use of it. It is therefore

imperative for companies to register all trademarks, brand names (both English and Chinese), domain names, and patents before entering the Chinese market.

Choice of cities for franchise expansion is as important as structuring an effective organization model. With Tier 1 cities becoming increasingly expensive and saturated, many franchisors have explored the option of expanding in Tier 2 cities such as Dalian, Shenzhen, Tianjin, Nanjing, Qingdao, Xi'an, and Chongqing. In some of these cities, the population is already familiar with foreign brands but not saturated with choices. These cities offer excellent opportunities for new franchise entrants.

The most recent legislation released by the Ministry of Commerce stipulates that franchise firms can start franchising in China as long as they own and operate two company-owned stores for one year in any part of the world. In addition, franchise firms must file with the local commercial authority for record within 15 days after the execution of the initial franchise contract.

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Best Products / Services

The Chinese franchising market is dominated by traditional franchise operations like food and beverage (F&B) and retail outlets. According to CCFA, nearly 40% of all franchisors in China are engaged in such industries. U.S. franchisors established a particularly strong foothold in the F&B market.

Franchising opportunities also abound in non-F&B industries. The best prospects in this form of franchising include sectors such as car rental and after sales services, budget hotel chains, general business services, and fitness.

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Success Factors to Consider

Major international franchise firms have established the following best practices for doing business in China:

1. Register the brand in China before entering the China market.
2. Find local partners who can help navigate the local business environment.
3. Understand the cultural differences and adjust market access strategies accordingly.
4. Localize your product if necessary, without changing the core product.
5. Minimize the price of the final product and the franchising fee to achieve rapid expansion and mass acceptance.
6. Manage government relations by establishing and maintaining solid working relationships with relevant Chinese Government agencies.
7. Provide long-term guidance and training to local partners/master franchisees on a consistent basis.

Foreign franchise brands are receiving greater interest from second and third-tier market developers. Additionally, an increase in numbers in F&B companies are entering the market as wholly owned enterprises to manage the brand, demonstrate proof-of-concept and create a

strong foothold prior to expanding into the franchise model. At the same time, the fast-growing market offers potential to yield higher returns through the direct ownership of stores.

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International Franchise Association: <http://www.franchise.org>

China Chain Store and Franchise Association Website: <http://www.ccfa.org.cn>

Shanghai International Franchise Show, Shanghai International Exhibition Center:
<http://sh.ccfa.org.cn/>

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Marine Industries

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This section covers the use and development of sea-related industries including shipbuilding, ports, pleasure boats, sea communications and transportation, offshore oil and gas, sea-related chemicals, and sea fisheries.

Sales and manufacturing of Ships, Boats and Floating Structures in China in USD millions			
	2010	2011	2012
Total Market Size	62,894	66,809	75,551
Total Local Production*	101,500	108,605	112,949
Total Exports**	40,285	43,544	39,176
Total Imports**	1,679	1,748	1,778
Imports from the U.S.**	25	46	67

Data Sources: *China Shipbuilding Industry Association

**Global Trade Atlas (HS code: 89 Ships, Boats and Floating Structures.)

China has seen rapid development of its marine industry over the past few years. China has more than 32,000 kilometers of coastline, more than 1,400 harbors, and 210,000 cargo ships. As the world's largest exporter, China has become a center of maritime activity, and China's major state-owned shipping and shipbuilding companies are among the world's largest. According to the Ministry of Land and Resources of the People's Republic of China, the marine industry will gradually become one of the pillars of China's economy.

According to the Global Trade Atlas statistics, China's total value of sea-based imports and exports reached \$41 billion in 2012, of which ship imports accounted for \$1.8 billion. Trade volume reached a historic high of approximately \$45 billion in 2011. However, oceanic pollution,

the industry's structural imbalances, currency appreciation, and cost increases continue to present challenges for the development of the marine industry.

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Best prospects in China's marine industries include shipbuilding and related accessories, recreational marine, port related accessories and sea transportation.

Shipbuilding

Chinese shipbuilding orders and deliveries have experienced fast growth for seven consecutive years, and China is currently ranked second in the world in both categories. According to statistics issued by Clarkson, a United Kingdom consultancy, Chinese shipbuilders' volume was 62 million Deadweight Tonnage (DWT) from January to November of 2011, with an increase of 9% compared with the same period in 2010. New ship orders were 75 million DWT in 2010, which was up 189% compared with the same period in 2009. The market share of Chinese shipbuilding output, new ship orders and ship orders in hand, respectively accounted for 42%, 49% and 41% of world totals in 2010. (*Source: Analysis on China's Shipbuilding Industry by China Shipbuilding Industry Association*)

The country plans to build three major shipbuilding bases in the Bohai Gulf area, East China Sea and South China Sea. When completed in 2015, the East China base will be the largest shipyard in the world.

In February 2009, China's State Council approved a revitalization plan for the Chinese shipbuilding industry. According to the plan, the government will encourage financial institutions to expand financing to purchasers of ships and extend financial support for domestic buyers of long-range ships until 2012. The plan will also support the industry by stabilizing production, growing domestic market demand, developing marine engineering equipment, supporting consolidation of the industry through mergers and acquisitions, as well as technical innovations.

China needs high-technology, machinery, and management tools for the shipbuilding industry. The best prospects for shipbuilding include: raw materials, coating equipment and coating materials, computer aided design (CAD) software and associated technologies for ship design and construction, equipment maintenance, Global Positioning Systems (GPS), navigation and on-board computer systems, and cutting and welding technology. China has routinely sought foreign design support for large marine engineering projects, but to date has relied heavily on European and Asian firms. With marine engineering projects as a targeted area of growth in the industry revitalization plan, and with United States expertise in offshore energy projects, there will be increasing opportunities for American design firms in this segment.

Recreational Marine Industry

With rapid economic growth, China's recreational marine market is forecast to expand sharply in the coming years. In 2010, China imported over \$90 million worth of yachts and pleasure vessels, which was an increase of 133%, compared with 2009 (*Source: Global Trade Atlas*). Based on the confidence that pleasure boats will become one aspect of the country's expanding upper and middle-class lifestyle, provincial governments, property developers and boat builders are all investing heavily in this industry. Business experts estimate that the overall market size may reach \$10 billion over the next decade, which presents significant opportunities for the

export of United States pleasure boats, accessories, marina planning, and construction materials (*Source: China Boat Industry and Trade Association*).

Although there are presently only a handful of marinas in China, dozens more are under construction or in the planning process. Many luxury residences in major cities incorporate waterways and boating facilities in their developments. The Shanghai government has decided to build marinas and cruise ship centers along the downtown riverfront as part of the efforts to remake Shanghai into a world-class city. Zhoushan, Qingdao, Dalian, Ningbo, Beihai, Dongguan, Shenzhen, and Hainan Island also have marina projects or are in the planning process.

Maritime Emergency Response and Port Safety

China is one of the world's largest maritime markets with a coastline of 32,000 kilometers and over 1,400 harbors. From North to South along China's eastern coastline, there are five established coastal port groups: Bohai Bay Rim Port Cluster, Yangtze River Delta Port Cluster, Southeast Coast Port Cluster, Pearl River Delta Port Cluster, and Southwest Coast Port Cluster. These ports are administered by the local Port Authority, together with the Maritime Safety Administration, which are both agencies under the Chinese Ministry of Transport.

Under the 12th Five-Year Development Plan of Transportation Safety and Emergency, by 2015, China expects to make significant advancement in the areas of regulations and emergency plans, equipment and facilities, information technology, workforce quality and infrastructure safety capabilities. The Chinese government also announced that it will spend over \$450 billion on maritime environmental protection and oil spill response with a focus on importing advanced equipment for emergency management and enhancing maritime safety soft skills.

Port Construction and Sea-Transportation

China is allocating significant capital for port and waterway construction to meet significant growth in freight volume. Since 2004, China has stepped up its construction of ports with 467 berths built or rebuilt in 2010. China's port flow is increasing at exponential rates, reflecting foreign trade growth. Eight ports in mainland China, Shanghai, Shenzhen, Qingdao, Tianjin, Guangzhou, Xiamen, Ningbo and Dalian, are included among the 30 largest container harbors in the world. In 2010, total cargo turnover in China exceeded 9 trillion tons, rising 17% from 2009, and container throughput reached 146 million twenty-foot equivalent units (TEU) which was an annual increase of 19%. The port of Shanghai is by far the busiest in the world. The cargo turnover of the Shanghai port exceeded 650 million tons and container flow reached 29 million TEU in 2010. (*Source: China Ports Year Book 2011*).

To facilitate global trade, most ports in China are placing emphasis on expanding capacity, upgrading port facilities, and modernizing operations. The products and technologies in high demand are vessel traffic management information systems, laser-docking systems, terminal tractors, dredging equipment and security equipment for ports and vessels to enable them to comply with the International Ship and Port Security Code (ISPS).

China is building more deep-water berths to handle the larger fifth and sixth-generation container vessels. The largest project is the construction of Yangshan deep-water port, approximately 20 miles offshore from Shanghai and linked to the mainland by a 20 mile causeway bridge. The master plan calls for the completion of 50 berths by 2020, which will cost over \$10 billion. It also includes a logistics park and new harbor city on mainland China.

Lianyungang, a northern port city in Jiangsu Province, is racing to build an international port after winning State Council approval to construct a 300,000 DWT deep-water channel and a 300,000 DWT berth for handling crude oil and ore.

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China's marine equipment industry currently lags behind the shipbuilding industry. Equipment that is in high demand includes machinery, key electric-mechanical equipment, communications systems, diesel engine crank-shafts and components, high-powered diesel engines, ship superstructures, deep-sea exploration ship products, high-grade steel plates and section bars, and environmentally friendly paint. Other potential prospects for shipbuilding can be seen in markets for coating equipment, computer-aided design software and associated technology for ship design and construction, equipment maintenance, high-tech equipment (such as GPS, navigation and on-board computer systems), and cutting and welding technology.

Pleasure boats are one of the best prospects for exporters. China's recreational marine industries are poised to expand rapidly in the coming years. Confident that pleasure boats will become incorporated into the lifestyle of China's growing wealthy class, provincial governments, property developers and boat builders are all investing heavily in this expanding industry, presenting significant opportunities for United States exporters of pleasure boats, accessories, marina planning services, and construction materials.

Maritime emergency response and port safety equipment and services have also begun attracting attention in China. There are good opportunities for equipment, technology, and services related to communication and supervision systems, flight supervision and maritime rescue, marine oil spills, salvage, mapping, waterway maintenance, and public security.

2013 Trade Show and Events:

MTB – Shipyards Asia – 2013 Shanghai

May 5-11, 2013

Shanghai, Le Royal Meridien

http://www.chinaexhibition.com/Official_Site/11-2321-MTB_-_Shipyards_Asia_-_2013_Shanghai.html

Shiptec China

October 21-24, 2013

Dalian World Expo Center

http://www.chinaexhibition.com/trade_events/3131-Shiptec_China_2014_-_11th_International_Shipbuilding,_Marine_Equipment_and_Offshore_Engineering_Exhibition.html

China (Xiamen) International Boat Show

November 1-4, 2013

Xiamen Marina

<http://www.xmboatshow.com/index.aspx>

Marinetech China

December 3-6, 2013

Shanghai New International Expo Center

<http://www.marintecchina.com>

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Ministry of Transport of China (MOT): <http://www.mot.gov.cn>
China Shipbuilding: <http://www.shipbuilding.com.cn>
China State Shipbuilding Corporation: <http://www.cssc.net.cn>
China Classification Society: <http://www.ccs.org.cn>
China Shipbuilding Industry Corporation: <http://www.csic.com.cn>
China Ship Online: <http://www.shipol.com.cn>
China Port Website: <http://www.chinaports.com>
Chinese Port: <http://www.chineseport.cn>
China Boat Industry & Trade Association: <http://www.cansi.org.cn>

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Healthcare

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Healthcare Services

Rapid economic growth and improved living conditions have led to an average of 18% annual growth in demand for healthcare services. Deloitte estimates that by 2015 China's healthcare services market will reach \$500 billion.

The Chinese government has made great efforts to improve the current healthcare system in China through its new healthcare reform, which started in 2009. Over the last four years, government expenditure has risen from 4.4% to 5.7% of GDP. The healthcare reform priorities include establishing the basic health insurance system, building the national essential drug list system, strengthening the primary healthcare service delivery system, ensuring access to public health services, and advancing the reform of public hospitals.

There have been six major achievements: the establishment of a basic medical insurance system covering 95% of the population, the establishment of the National Essential Drug List system reducing drug prices by 30%, a significant improvements to infrastructure of rural healthcare service providers, defined scope of public health services, strengthened service delivery system, and county public hospitals as the focus of public hospital reform.

China had 16,000 public hospitals at the end of 2011. The government has begun encouraging investment from private and foreign funds to establish medical institutions. The number of private hospitals is expected to reach 20% of the total by 2015. This will create opportunities for both healthcare services providers and for medical device manufacturers.

Despite these achievements, China faces challenges caused by an increasingly aging population, uneven distribution of medical resources, increase of chronic diseases, and meeting

the increasing demand for healthcare services. China's population over 60 was 185 million in 2011, accounting for 14% of the total population. This segment of the population is expected to 221 million by 2015, accounting for 16% of the total population.

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Medical Devices

China has become the world's second largest medical device market. According to the China Association for Medical Devices Industry (CAMDI), China's medical equipment market has been growing at an average of 20% annually since 2009 and is expected to maintain that growth during the next three years (2013-2015). The driving factors include rapid economic growth, a large population, and a growing elderly population, increasing per capita income, and government investment in healthcare infrastructure. China's medical device market is dominated by domestic manufacturers that can only supply low to mid-range products while high-end products are supplied by large foreign companies like GE, Philips, and Siemens. The top three medical device exporters to China are the United States, Germany, and Japan.

2011-2012 Chinese Medical Device Imports and Exports (billions USD)

	2011	% growth	2012	% growth
Total Trade Value	27	17%	30	13%
Import	11	37%	12	15%
Export	16	7%	18	12%

Source: China Association for Medical Device Industry (CAMDI) and China Chamber of Commerce for Health and Medicine Product

2011-2012 Chinese Imports of Medical Devices (billions USD)

By Country	2011	Share	2012	Share	growth %
World	14	100%	16	100%	19%
United States	4.7	34%	5	33%	17%
Germany	2.5	18%	2.9	18%	17%
Japan	2.2	16%	2.6	18%	18%

Source: Based on analysis of representative HS codes from data from World Trade Atlas

Chinese hospitals consider U.S. products to be of superior quality and the most technologically advanced. However, domestic medical device companies are consolidating, upgrading quality, and beginning to compete in medium- level technology niches. Given the status of the Chinese medical device market, significant potential exists for U.S. companies interested in entry or expanding into the Chinese market. Additionally, the healthcare reform started in 2009, is advancing reform on public hospitals. The government has invested RMB 2,243 billion during the last four years for establishing and improving healthcare infrastructure.

However, barriers exist with an uncertain and changing regulatory environment and extensive delays in registration and re-registration of products, although efforts are reportedly being made to reduce the large backlog. Additionally, pricing, tender, and bar code systems also play a role of delaying a company's entry into the Chinese medical device market.

The best-selling prospects in the medical device sector include:

- In vitro diagnostic equipment and reagents: Clinical and diagnostic analysis equipment, diagnostic reagents, medical test and basic equipment instruments, and point of care testing equipment.
- Implantable and intervention materials and artificial organs: Interventional materials, implantable artificial organs, contact artificial organs, stent, implantable materials, and artificial organ assisting equipment.
- Therapeutic products: Tri-dimensional ultrasonic focused therapeutic system, body rotary gamma knife, simulator, linear accelerator, laser diagnostic and surgery equipment, nuclide treatment equipment, physical and rehabilitation equipment.
- Medical diagnostic and imaging equipment: Black & white and colored supersonic diagnostic unit, sleeping monitor, digital x-ray system, MRI, CT, DR, and ultrasound equipment.
- Surgery and emergency appliances: Anesthesia ventilation systems and components, high frequency surgery equipment, high frequency and voltage generators.
- Healthcare Information Technology related equipment and products: Medical software, computer-aided diagnostic equipment, and hospital information systems (HIS, CIS, and HLT).
- Medical equipment parts and accessories

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China Medical Equipment Fair (70th CMEF Autumn 2013)

November 3-6, 2013

Shenzhen Convention & Exhibition Center

Shenzhen, China

Phone: (86 10) 8455-6603

<http://en.cmf.com.cn/>

MEDTEC China 2013

September 25-26, 2013

Shanghai-Intex

<http://www.devicelink.com>

China Med 2014 - The 26th International Medical Instruments & Equipment Exhibition

March 21-23, 2014

China National Convention Center, Beijing

<http://www.chinamed.net.cn/en/Visitor.asp>

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China Food and Drug Administration: <http://eng.sfda.gov.cn/WS03/CL0755/>

The National Health and Family Planning Commission: <http://www.moh.gov.cn/>

China Association of Medical Device Industry:

<http://www.cccmhpie.org.cn/English/default.aspx>

China Chamber of Commerce for Medicines and Health Products:
<http://www.cccmhpie.org.cn/English/default.aspx>

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Travel and Tourism

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The U.S. Department of Commerce, Office of Travel & Tourism forecasts that the number of Chinese travelers to the United States will increase by 232% from 2010 to 2016. Because the average Chinese tourist spends about \$6,000 per trip, the contribution to the U.S. economy makes China's outbound tourism market a key component to President Obama's National Export Initiative.

China ranked sixth in tourists to the United States, with nearly 1.3 million arrivals (up 47% year-on-year) and total expenditures of \$7.7 billion in 2012.

The growth in Chinese tourism to the U.S. in 2012 placed China ahead of Germany in rankings of top markets for the first time. U.S. travel and tourism exports to China have increased by at least 30% in seven of the last eight years. Travel and tourism exports account for 29% of all U.S. services exports to China.

	2011	2012	2013 (estimated)	2014 (estimated)
Total Visitors to U.S. (thousands)	1,098	1,336	1,650	2,049
Spending by Chinese visitors to the United States U.S.*(billions)	\$6.3	\$7.7	\$9.5	\$11.8

Imports from U.S.: Office of Travel & Tourism Industries (*PRC visitors)

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As China rebalances its economy to include consumerism as a greater part of economic activity, some best sub-sector prospects for U.S. suppliers include luxury travel to the United States such as wineries and golf courses, MICE (meetings, incentives, conventions, and exhibitions), as well as foreign individual travel. A stronger Chinese currency will buttress already robust spending in the United States by Chinese travelers.

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Several developments bode well for U.S. travel and tourism suppliers in the China market. The first is the establishment of a Brand USA office in both Beijing and Shanghai to coordinate future activities to support the broader U.S. based industry. Brand USA has already organized and supported U.S. pavilions at major travel trade shows around China.

A second development is the establishment of a Visit USA Committee in China, consisting entirely of private-sector travel trade promoting Chinese travel to the United States.

A third development involves policies by the Chinese government, such as the Tourism Law passed by the National People's Congress in May 2013, to encourage healthy growth of the travel & tourism industry in China, as well as to foster travel abroad.

Finally, shorter waiting times for visa interviews, expanded consular facilities at U.S. mission posts throughout China, and an all-new online application platform make the visa application process much more efficient.

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Brand USA: <http://www.thebrandusa.com/>

Discover America: <http://www.discoveramerica.com/>

U.S. Travel Association (USTA): <http://www.ustravel.org/>

National Tour Association (NTA): <http://www.ntaonline.com/>

China National Tourism Administration: <http://en.cnta.gov.cn/>

Visit USA Committee: <http://visitusa-china.com/index.html>

Commercial Service China Tourism Team:

<http://export.gov/china/doingbizinchina/industryinfo/tourism/index.asp>

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Information and Communication Technology

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The Twelfth five-year plan (12FYP) that took effect in 2011 included extensive and specific policy support for many sectors of the Information and Communication Technology (ICT) industry. These sectors have been designated as Strategic Emerging Industries (SEIs), including “next generation information technology” such as high-performance integrated circuits (IC), cloud computing, and mobile communication networks.

China plans to spend \$1.7 trillion over the course of the 12FYP in order create a more robust ICT industry that will not only compete on a global scale but provide new standards for the rest

of the world to follow. During the first year of the 12FYP, U.S. ICT exports to China decreased. This could be a result of specific Chinese government policy support for the domestic sector, though it is also at least partly a result of the sluggish world-wide economy. Total domestic consumption of ICT products (HS codes 8517 through 8548) totaled \$1.1 trillion according to the Ministry of Industry and Information Technology. China's Ministry of Industry and Information Technology estimated the 2013 total ICT market size to be \$1.4 trillion, which includes services.

Unit: USD Billions				
	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	*	1,093	1,366	1,781
Total Local Production	*	1,781	2,056	2,323
Note: Market size and local production are Chinese government official data; Import and export data are Global Trade Atlas statistics, not official Chinese government statistics				
Total Exports	365	401	*	*
Total Imports	318	350	*	*
Imports from the U.S.	12	12.5	*	*

Sources: MIIT and CCID Consulting
Trade Data Source: Global Trade Atlas
Note: calculated using HS 8517 – 8548

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Semiconductors

The 12FYP included support incentives for IC and Light Emitting Diode (LED) manufacturers. Most new fabrication plants built in China receive subsidies or other support from local governments, and as a result many foreign companies are establishing fabrication facilities in China. Between 2008 and 2010 foreign companies invested in 46% of new LED fabrication facilities. Possibly because of increased foreign investment into production capacity in China, the U.S. saw a 19% drop in the value of semiconductor exports to China in 2011.

China has experienced overall growth in the semiconductor industry, but mostly manufactures low and mid-range semiconductors. Equipment necessary for manufacturing wafers and LEDs are mostly imported. Increased foreign investment in wafer and LED fabs in China should increase demand for high-end semiconductor manufacturing technology.

Software

China's software industry remains a key focus for the nation's central government, with incentives for both domestic growth and foreign investment. The market remains diverse and highly fragmented with over 16,000 local-certified software companies, approximately 40,000 registered software products, and more than one million software-industry professionals. Over the next few years, the industry is expected to consolidate. China's software industry lacks core technologies, high-end software development talent, and consistent high-quality software products. Moreover, foreign brands enjoy a large market share in the high-end segment of the software market. Local software products comprise less than 30% of the market.

Although packaged software imports from the U.S. continue to rise, the best prospects for U.S. firms are for high-end software solutions requiring a some customization. Because of delivery methods such as cloud services, the true size of China's software market is unknown.

Best prospects for software include:

Application software and specialty software: Solutions that address enterprise resource planning (ERP), customer relationship management (CRM), service-oriented architecture (SOA), middleware, and open-source software.

High-end enterprise management systems software: Solutions that address database management systems, systems management software products, networking security software products, etc. remain some of the fastest growing areas for foreign firms selling into the China marketplace.

Specialty software: Customized software targeted for a specific industry or market sector is a market segment in which foreign firms have an estimated 70% of the market. U.S. firms hold a strong position in such areas as firmware, as well as gaming, automation, digital imaging, storage, and security software.

Cloud Computing

Cloud computing and other cloud services are a recent development in China. China has allocated \$103 million dollars to help guide the business-led development plan, led by indigenous companies like Baidu and Alibaba. Considered an SEI, many pilot projects are underway in select cities such as Beijing, Shanghai, Shenzhen, Wuxi, and Hangzhou. Domestic businesses developing cloud technology in these cities can be expected to receive subsidies.

Despite recent investment, cloud computing is not expected to be applied on a large scale until the 13th FYP, when the industry will be worth an estimated \$156 billion. In 2010 the estimated value of China's cloud industry was \$2.6 billion; by April, 2013 the value of China's cloud market is expected to reach \$19 billion, an annual increase of 92%. This is in comparison to the worldwide cloud computing market that is estimated to reach \$163 billion by 2015.

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InfoComm China
April 10–12, 2013
Beijing (China National Convention Center CNCC)
www.infocomm-china.com

PT/Expo Comm
August 24–28, 2013
Beijing (China International Exhibition Center)
www.expocomm.cn

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Ministry of Industry and Information Technology (MIIT): <http://www.miit.gov.cn/>
Ministry of Science and Technology: <http://www.most.gov.cn/>

China Academy of Telecommunication Research (CATR): <http://english.catr.cn/>
 China Electronics Standardization Institute (CESI): <http://www.cesi.cn/>
 China Institute of Electronics (CIE): <http://www.cie-info.org.cn/>
 China Communications Standards Association (CCSA): <http://www.ccsa.org.cn/>
 China Electronics Chamber of Commerce (CECC): <http://www.cecc.org.cn/>

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Oil and Gas

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Oil and Gas equipment		Unit: USD Billions		
	2011	2012	2013 (estimated)	2014 (estimated)
Total Market Size	29	46	55	68
Total Local Production	45	57	66	79
Total Exports to the World	23	19	18	18
Total Imports from the World	6.5	6.7	7	7

Source: China Petroleum and Petrochemical Equipment Industry Association (CPEIA) and the U.S. Commercial Service.

Note: U.S. manufactured oil and gas equipment represents 50%-60% of China imports and imports from the U.S. will increase as China develops its shale gas resources.

China is the world's second largest importer of oil and consumed over 10 million barrels per day (bbl/d) in 2012. Furthermore, China holds 20 billion barrels of proven oil reserves, the highest in the Asia-Pacific region. In 2011, China produced around 4.3 million bbl/d of oil liquids; this capacity is expected to rise to reach 4.5 million bbl/d in 2013. Sinopec controls 46% of total crude refining capacity, while PetroChina accounts for 31%. The remainder is processed by smaller refineries. CNOOC focuses on offshore oil development and has limited refining capacity in the market.

China manufactures a great majority of oil and gas equipment domestically. China's state-owned companies (SOEs) control around 66% of the market for well-drilling equipment. Small- and medium-sized private Chinese companies make up 19% of the market. Foreign companies make up 15% of the market and supply advanced complete-set equipment.

International oil companies (IOCs) and service companies have established their presence in China mostly through partnering with Chinese companies. At present, IOCs mostly team up with CNOOC in offshore oil development while service companies are hired by the big three oil giants on both onshore and offshore projects which oftentimes are complicated and complex drillings.

Natural gas currently makes up a relatively small portion of China's primary energy mix. However, the discovery of huge domestic shale gas reserves has inspired the government to prioritize the development of this resource for the sake of energy security as well as to reduce reliance on coal. China has developed an ambitious plan to develop natural gas and shale gas in particular. As stated in the government's 12th Five-Year Plan, China will require between 200-250 billion cubic meters of natural gas per year by 2020, an almost four-fold increase from current consumption. The government has set a target of increasing gas to 10% of China's energy consumption by 2020 which will make it the largest consumer of natural gas in Asia within the next 10 years.

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In general, areas with high government support and low domestic product maturity offer the best prospects for foreign companies. Exploitation technologies enjoy strong government support. Specifically, steam-assisted gravity drainage (onshore), geologic exploration equipment, position navigation systems, deep-water drill systems (offshore), and fracturing technology (shale gas) are technologies and equipment that enjoy high demand.

Shale Gas

The Chinese shale gas industry is poised to expand rapidly over the coming decade. According to the Ministry of Land and Resources (MLR), China holds more shale assets than any other country, having around 25 trillion cubic meters of technically recoverable reserves. The Chinese government is eager to promote the development of domestic shale gas energy. The country has set itself ambitious targets for cleaner growth and the government believes that tapping its large unconventional gas resources might be a way of reducing its reliance on coal, which produces significant CO₂ emissions. In addition, China wants to improve its energy security by becoming less reliant upon foreign imports. The central government aims to produce 6.5 billion cubic meters of gas from unconventional sources by 2015, rising to 100 billion by 2020.

In an effort to kick start the industry, the Chinese government has taken a number of proactive steps. In 2012 the government released its first Five Year Plan for the industry, mandating ambitious production targets, establishing market entry conditions and defining the scope for foreign cooperation. As part of this plan the government has developed an incentive plan to encourage investment in shale gas. In November 2012, the Ministry of Finance (MIF) announced that they would provide a subsidy of RMB 0.4 (\$0.06) for every cubic meter of gas produced. Furthermore, recognizing the need for foreign technology and expertise, the government has recently relaxed regulations surrounding the shale industry. Most significantly, MLR announced in September of 2012 that foreign companies would be allowed to take part in the bidding process for shale gas exploration licenses. Whereas this bidding was previously

limited only to domestic firms, new rules permit Chinese-controlled foreign joint ventures to take part in the tender process.

Despite extreme interest in utilizing these resources from national and local government, significant progress has been difficult to achieve. Exploration efforts have been limited, with only 80 shale wells being drilled to date, compared to 50,000 in the United States. Moreover, of these 80, only 30 are believed to hold the potential for further industrial development. To put these numbers in context, industry sources suggest that the country will have to complete at least 1,000 wells per year in order to reach government targets.

A number of factors have hindered the development of the shale industry. In particular, Chinese shale reserves are located in regions that will make extraction very difficult. Not only are these areas often mountainous and inaccessible, but the resources are often located at depths beyond those that which have previously been considered viable. This point is exemplified by the conditions surrounding the Sichuan Basin. Although this area holds massive shale reserves, it is both prone to significant seismic activity and a great deal of geological structural complexity. Furthermore, China lacks a developed pipeline network which is able to transport potentially massive amounts of shale gas to the more energy demanding regions on the East coast. Finally, the water intensive nature of shale extraction will pose a strong challenge to the industry as China already faces water shortages in many of the areas where shale reserves exist.

It is clear that as China currently does not have commercial shale gas production capacity, the industry is in need of significant further investment and exploration. This situation has the potential to create substantial opportunities for American companies across the shale gas value chain. For example, firms that have developed significant advantages in extraction technologies – particularly in water efficiency and deep extraction - are well positioned. Companies that specialize in drilling, extraction equipment, or provide operational services for shale gas developers may also benefit from the growth of the Chinese shale market.

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Shanghai International Petrochemical Technology and Equipment Exhibition

August 20-22, 2013

Shanghai New International Expo Center

<http://sh.cippe.com.cn/2013/en/>

U.S.-China Shale Gas Training Program

July, 2013

TBD, Beijing

www.gastechnology.org

Shanghai International Petroleum & Petrochemical Exhibition (SIPPE)

October 28-30, 2013

Shanghai New International Expo Center

<http://www.sippe.org.cn>

U.S.-China Oil and Gas Industry Forum

Fall 2013 TBA

TBA

<http://www.uschinaogf.org/index.html>

Beijing International Petrochemical Technology and Equipment Exhibition

March 19-21, 2014

New China International Exhibition Center Beijing

<http://www.cippe.com.cn/>

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Government Authorities

National Energy Administration: <http://www.nea.gov.cn>

Ministry of Land Resources: <http://www.mlr.gov.cn>

National Development and Reform Commission: www.ndrc.gov.cn

Ministry of Environmental Protection: www.mep.gov.cn

Additional Information

China Greentech Initiative Reports: <http://www.china-greentech.com/publications>

Gas Technology Institute: <http://www.gastechnology.org>

Energy Information Administration: <http://www.eia.gov>

United States Energy Association: www.usea.org

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Green Building

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China has the world's largest construction market. According to the Ministry of Housing and Urban-Rural Development (MOHURD), between 2011 and 2015, China will construct 1 billion m² of new green buildings. By 2015, the target is for 20% of all newly constructed building stock to reach to green building standards

According to China's 12th Five-Year Plan (12FYP) for Economic and Social Development, the country has set itself a binding goal to reduce its energy consumption and carbon dioxide emissions. Many provinces and cities have drafted their own enforcement plans to comply with this regulation. As a result, many urban areas are planning to work towards "eco-city" status.

This will be achieved by not only retrofitting old buildings, but also by building new low carbon structures.

China has issued many incentive policies encouraging green building development. In 2011 the Chinese government issued a draft China Green Building Plan, setting subsidies for green buildings at one third of the incremental cost, namely RMB 75/m² in the case of typical 3-star building projects. The plan may exempt 3-star buildings from property taxes and allow additional land use for developers of 3-star-rated buildings. The plan also sets subsidies of RMB 10-20 million for communities with 30% of buildings certified as green buildings and encourages local government financing incentives.

In May 2011, the Ministry of Finance and MOHURD established a 2015 target for reducing energy consumption per unit area for some public facilities by 10% and large facilities by 15%, and announced central government retrofit subsidies of RMB 20/m².

Green Building Market				
	2011	2012	2013 (estimated)	2014 (estimated)
Total Construction Market Size (\$ Trillion)	1.7	1.9	2.1	2.3
Total Green Building Market Share (%)	0.5	1	2.7	7.4
Total Green Building Market Size (\$ Billion)	8.8	19	56	167
Total Imports (\$ Million)	0.3	0.6	1.7	5.1
Imports from the U.S. (\$ Million)	0.01	0.03	0.08	0.22

These figures are based on: 1) "Total Construction Market Size" figures use a 2011 baseline as provided by the National Bureau of Statistics of China. The figures for subsequent years are as forecast by the Freedonia Group. 2) Total Green Building Market Share" figures are based on a) it is assumed that green buildings currently account for around 1% of the market, b) for growth of market share are based on the Chinese government's goal of making 20% of new construction green by 2015.

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Green building products that meet the energy efficiency standards in new, unique, or economically competitive ways have a potential market in China. Some of the best prospects for China's market are:

- Green-building design
- Building energy efficiency retrofits
- Green building material production and supply
- Integrated energy efficiency solutions
- Green building operation and energy efficiency management
- Low-carbon neighborhood development design and energy solutions

According to the China Greentech Initiative Report, the following energy efficient building materials have the greatest market potential in China:

- HVAC systems

- Solar products
- Grey water, water reuse systems, and landscape materials
- New building materials
- Lighting
- Concrete: slag cement and fly ash content; autoclaved aerated concrete
- Insulation: expanded (EPS) and extruded polystyrene (XPS)
- Roofing: reflective systems vegetated roofs TPO membranes
- Windows and Doors: double-glazed low-solar-gain low-E glass
- Lighting: T series light fixtures CFL and LED bulbs
- HVAC: absorption chillers, variable frequency drives (VFD), energy recovery wheels, air purifying equipment
- Indoor building materials: low-emission, thermal and noise reduction, and insulation
- Integrated design

In December 2010, the Ministry of Finance, the Ministry of Science and Technology, MOHURD, and the State Energy Bureau jointly announced government subsidies for solar roofing systems to promote the development of solar products in China.

In northern China, there are opportunities for equipment and technologies that reduce the amount of energy used in the heating supply. New types of energy conservation products, such as wall-structure preservation products, and heat supply measuring systems have been used extensively in these areas.

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In the next decade, China's real estate construction market has great potential due to economic development and urbanization. In the next 10 years China's urbanization will reach 65-70% meaning that a further 300 million people will move into cities. China will need to complete 800 million square meters of residential housing in order to accommodate this expansion in urban population. China's 12FYP indicates that 36 million apartments will be built by 2015 alone. In addition, China plans to invest \$159 billion on the "Nation City and Town Sewage Treatment and Renewable Construction Plan."

Within China's 12FYP for China's Economic and Social Development, many provinces and cities have drafted their own development plans.

- By the end of 2015, Guangdong province plans to invest \$225 billion in infrastructure construction which will encompass 294 projects.
- In 2013, Gansu province plans to invest \$25 billion on 200 projects. Of these, 120 will expand existing facilities, 40 will be new projects and another 40 are planning projects. These will be spread across different sectors including: transportation, information technology, construction infrastructure, resource development, and manufacturing.
- Beijing plans to develop 240 key projects in 2013. Total investment will be \$36 billion. These projects will focus on the construction of 5 new subway lines, 4 new hospitals and the construction of additional water management facilities.
- Henan province plans to prioritize the development of key cities over the next 5 years. Total investment related to these efforts will be \$160 billion in that time period.
- Wuhan plans to invest \$483 million to renovate the old portion of the city.
- Guizhou province has highlighted the construction of new integrated complex buildings (with residential, commercial, office, entertainment and leisure facilities enclosed in one

structure). In the next 5 years, city officials aim to build 100 projects, with total investment around \$160 billion.

- Beijing plans to build 100 “Sunny Schools” using solar energy to power water and heating systems.
- According to the “National Airport Allocation Plan,” China will upgrade, expand and build 244 airports by the end of 2020. For example: Beijing’s second capital airport will be located in Daxing County, Beijing. The airport is expected to be operational by 2015, and will serve 600 million passengers per year.
- Xi’an will build 3.7 million m² of affordable housing, and Chongqing city will build 30 million m² by the year 2013.
- According to MOHURD’s Qinghai branch, Qinghai province plans to invest \$11 billion in real estate development by 2015.
- By 2015, Nanchang city plans to work on 231 key projects, with total investment to reach \$23 billion. The projects will include fast transportation systems with modern transportation hubs, bio-landscape gardens, and a renewable development demonstration city.
- By 2015, Hubei province plans to build 1,000 eco-demonstration towns and villages.
- Nanjing plans to use geo-thermal technology in their buildings with 60% of new buildings to include this technology by 2013.
- In 2013, Dalian plans to build 28 public parking areas, with investment to be \$129 million.
- Hunan plans to invest \$112 billion on road & bridge construction in 2013.
- Shanxi province plans to construct 450 infrastructure projects. In 2013 investment will be \$51 billion.

7th China (Shanghai) International Energy-saving & Advanced Wall Material Exhibition

August 16 – 19, 2013

Shanghai New International Expo Centre (SNIEC)

www.expojc.com

The 11th China International Heating, Ventilation & Air Conditioning Expo

March 28-30, 2014

China International Exhibition Center, Beijing, China

www.cihe-hvac.com

The 7th International Conference on Intelligent, Green & Energy Efficient Building & New Technology and Products Expo

March 28-30, 2014

Beijing International Convention Center (Guojia Huiyi Zhongxin)

www.chinagb.net

China Refrigeration 2014

April 11-13, 2014

New International Exhibition Center, Beijing.

www.cr-expo.com

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Ministry of Housing and Urban-Rural Development: <http://www.mohurd.gov.cn/>

China Building Materials Industries Association: <http://cbmia.cbminfo.com/english/eindex.htm>

China Energy Conservation Program: <http://www.cecp.org.cn/englishhtml/index.asp>
Ministry of Environmental Protection of China: <http://www.mep.gov.cn/>
U.S. China Build (a program of Evergreen Building Products Asso.): <http://www.uschinabuild.org>
CS China Energy Webpage and Newsletter: <http://www.buyusa.gov/china/en/energy.html>
CS China Design & Construction Team:
<http://www.buyusa.gov/china/en/designconstruction.html>
China Greentech Initiative: <http://www.China-Greentech.com>
U.S.-China Energy Cooperation Program: <http://www.uschinaecp.org>

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Nuclear

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In the past 10 years, China has become the world's largest consumer of energy, surpassing the United States in 2010. In 2011, China's energy supply and demand both surged ahead at an amazing pace in the shadow of its 9% GDP growth. Total energy consumption increased by 7% equivalent to 3.5 billion tons of standard coal while the amount of electric power generated grew by 12% in 2011, to 4.6 trillion kWh.

Holding 89% of the overall market, thermal sources still account for the bulk of the energy generated in China. As of mid-2012, China was home to 15 operating nuclear reactors, most of which had an operating capacity of below 1 GW.

The nuclear power industry in China is tightly controlled and dominated by a number of local players. The National Nuclear Safety Administration (NNSA) has approved three companies to hold full ownership and maintain nuclear power plants. These are: China National Nuclear Corporation (CNNC), China Guangdong Nuclear Power Group (CGNPC), and China Power Investment Corporation (CPI). Other companies, both foreign and domestic, are restricted to holding minority stakes in nuclear projects.

As energy consumption rises in China, government and industry leaders are increasingly looking towards nuclear power to establish a balanced mix of energy generating methods. China is looking to treble its number of operating nuclear plants through the construction of 32 new reactors by 2020, which would produce 80 GW.. If this is achieved, China alone will be responsible for half of the world's growth in nuclear power production in this period. Beyond the next decade, estimates vary as to the extent of China's nuclear growth. However, many analysts suggest that nuclear power could produce as much as 200 GW by 2030 and might supply 400-500 GW by 2050, accounting for 15% of China's overall energy needs.

Much of this growth in power generation will come not only from the construction of new nuclear sites, but also from the development of more advanced plant designs. Whereas most plants currently in operation have a production capacity of less than 1 GW, the vast majority of reactors currently under construction are using more advanced designs. The designs most favored in current construction plans are the CPR-1000 and American designed AP1000 generators, which have a production capacity of around 1.25 GW. In the case of the AP1000, this imported design is forming the main basis of China's move towards 3rd generation nuclear technology.

While China recognizes the need to import foreign technology, it also wants to localize as much of this technology as possible and China continues to demand full technology transfer and localization whenever possible. As a result, many U.S. power equipment manufacturers and related construction and engineering firms have formed joint-ventures in this market.

Regulatory Environment

In contrast to the situation in much of the rest of the world, China's regulatory environment is relatively supportive of nuclear development. The Chinese government has a strong interest in diversifying the country's energy supply and in promoting the cleaner production of energy. The 12th Five Year Plan (12FYP) makes several ambitious targets including a 16-17% reduction in energy and carbon intensity and an 11% share of non-fossil fuel in energy mix by 2015. It seems that China will continue to support the development of the nuclear industry.

In the short term, however, the Fukushima Daiichi incident has brought some degree of regulatory uncertainty to the industry. Immediately after the disaster, the Chinese government suspended the approval process for all new nuclear sites and announced an immediate safety review for all existing nuclear facilities. In addition, the government committed itself to the development of a new safety plan and improved regulatory oversight of the industry. To this end, the government recently released the Nuclear Power Safety Plan (2011-2020) which seeks to dispel concerns that China will forego safety procedures as it seeks to rapidly develop its nuclear industry. This plan, which was developed by the National Energy Administration, places a far more rigorous set of safety criteria upon each stage of nuclear development. In addition, it calls for the deployment of the more advanced nuclear technology and better safety management systems to minimize future risks.

As of October 2012 the State Council has resumed approval of construction for new nuclear plants, albeit at a slower pace and with a greater emphasis on safety. The Mid and Long-Term Plan for Nuclear Power (2011-2020) emphasizes that construction of new sites will, up to 2015, be limited to coastal areas where the chances of earthquakes remain small. While this framework has brought some clarity to the picture, a degree of uncertainty will linger until China releases a complete atomic energy law.

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Given the enormous growth in the Chinese nuclear industry, foreign companies looking to conduct businesses in the local market have several avenues of approach. As development of new nuclear plants continues, surveying, construction, and construction equipment services will be in high demand. Furthermore, as domestic energy firms are looking to improve reactor design, U.S. companies with a specialty in advanced reactor technology have opportunities to cooperate in reactor production. As a case in point, Chinese power utilities are currently collaborating with a U.S. company in the development of the new CAP1400 reactor, capable of producing and output of 1.5 GW. In addition, while most current designs including the AP1000 are Pressurized Water Reactors, China is looking to move towards the construction of more Fast Neutron Reactors (FNR). Beyond standard technologies, Chinese firms are also eager to explore alternative nuclear reactor designs including “pebble bed reactors” and “molten salt reactors.”

In the wake of the Fukushima Daiichi nuclear disaster, efforts have been focused on improving safety standards across the industry. China currently operates several types of nuclear reactors using multiple technologies, making safety management a significant challenge. The Ministry of Environmental Protection (MEP) has suggested that China may have to spend as much as \$12 billion over the next 3 years to achieve 3rd generation safety standards across all of its existing plants. Given this expected outlay, U.S. companies with significant experience in nuclear safety management and technology will have significant opportunities in China over the next few years.

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ECP Nuclear Power Working Group

Launched in May, 2012, the Nuclear Power Working Group (NPWG) is the newest addition to the public-private partnership platform of the U.S.-China Energy Cooperation Program (ECP). As part of ECP, the NPWG is a commercially led platform that currently represents American companies who work across the entire nuclear value chain. Bi-lateral advocacy efforts focus on improving technical standards, specifications and requirements in the aspects of safety, and control valves and fuel resourcing. Those efforts, in the medium-term, aim to create market entry opportunities for advanced U.S. technologies and products to China, and support the development of world-class protocol.

China International Exhibition on Nuclear Power Industry

May 23-25, 2013

Shanghai World Expo Exhibition & Convention Centre

Link to Website: http://www.chinaexhibition.com/Official_Site/11-1574-Cienpi_2013_-10th_China_International_Exhibition_on_Nuclear_Power_Industry.html

2013 China International Nuclear Power Industrial Equipment Exhibition

Sept. 2-4, 2013

China Int'l Exhibition Center, Beijing

<http://www.cine010.com.cn/en/Index/>

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Government Authorities

China Atomic Energy Authority: <http://www.caea.gov.cn>

National Energy Administration: <http://www.nea.gov.cn/>
National Nuclear Safety Administration: <http://nnsa.mep.gov.cn/>
State-owned Assets Supervision & Administration Commission: <http://www.sasac.gov.cn/>

Chinese Corporations

State Nuclear Power Technology Corporation: <http://www.snptc.com.cn/en/>
China National Nuclear Corporation: www.cnnc.com.cn
China Guangdong Nuclear Power Group: <http://www.cgnpc.com.cn/>
China Power Investment Corporation: <http://www.cpicorp.com.cn/>

Additional Information

Civil Nuclear Trade Advisory Committee: <http://trade.gov/mas/ian/nuclear/>
Civil Nuclear Guide to Exporting: <http://export.gov/civilnuclear/>
Nicobar Group: <http://www.nicobargroup.com/>
World Nuclear Association: <http://www.world-nuclear.org/>
ECP Nuclear Power Working Group: <http://www.uschinaecp.org/>

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Rail and Urban Rail

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Railway Industry

Rail Equipment (HS code: 86)

Unit: Millions of USD

	2010	2011	2012	2013
Total Exports	4,212	8,032	6,829	5,316
Total Imports	2,055	1,984	1,184	848
Imports from the U.S.	251	149	106	104

Data Sources: Global Trade Atlas

*The estimated figures for 2013 are based on the current figures for January-March, 2013

By the end of 2012, China's national railway operating mileage reached 98,000 kilometers, ranking second in the world; while its high-speed railway operating mileage reached 9,356 kilometers, ranking first in the world. China's railway passenger turnover, freight volume, cargo turnover, and conversion volume all rank first in the world. China is now considered technologically advanced in high-speed rail, the high-altitude rail, and heavy-haul freight rail.

China's high-speed rail network is expected to reach 16,000 kilometers by 2015. High-speed railways are incorporated as part of the country's "express railway network," which is expected to reach 45,000 kilometers by 2015. The express railway network includes railways of three speeds: arterial rail lines at a speed of 300 km/h, intercity and extension and linking lines at 200-

250 km/h, and railways in western China with speeds of 160-200 km/h. The total railway construction investment will be about \$460 billion during from 2011 to 2015.

Urban Rail Transit Industry

Currently, China is the world's largest urban rail market. In 2012, National Development and Reform Commission (NDRC) approved a total investment of RMB 800 billion in urban rail projects in 18 cities and two city clusters. Beijing, Shanghai, Guangzhou, and Shenzhen share 70% of the built urban rail transit mileage in China. By 2015, 37 cities in China will have metro/light rail and the total mileage of metro/light rail in China will exceed 4,000 KM. The total investment on the urban rail sector will be around RMB 1 trillion.

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Rail Industry technology and equipment:

1. Rail safety
2. High speed Electric Multiple Unit
3. Communication, signaling, and IT systems
4. Track maintenance for high speed rail
5. Traction power supply in high speed rail
6. Passenger station design and construction
7. Heavy haul transport
8. High-altitude rail
9. Energy conservation and environmental protection

Metro industry technology and equipment:

10. Urban rail vehicles
11. Communication and signaling
12. Power supply and distribution
13. Electromechanical systems
14. Safety supporting
15. IT system
16. Intelligent AFC
17. Engineering and construction, survey, and design
18. Earthquake disaster prevention

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Railway Industry Opportunities

The investment scale of the new railway line during 12th Five Year Plan (12FYP) should reach 30,000 kilometers. By the final phase of the 12FYP, the total railway operating mileage is planned to increase from the current 98,000 kilometers to around 120,000 kilometers. 60% of lines will be electrified, while 50% will be double-track lines. The high speed railway will reach 16,000 kilometers. Railways in western China area could reach 50,000 kilometers. The number of new and renovated railway stations will reach a total of 1,015. At the same time, there will be a large number of advanced technical equipment put into use.

During the 12FYP, the total railway investment is expected to reach RMB 2.8 trillion. Compared with railway new line investment during the 11FYP, new line investment during the 12FYP period is expected to increase by 88%, with total investment to increase 41%.

It is estimated that by 2020, an additional RMB 2 trillion will be invested, of which RMB 600 billion will be for development of infrastructure related to passenger-dedicated lines, the coal corridor, lines in western China, and inter-regional connections. China's total rail network will exceed 120,000 kilometers in length, possibly reaching 150,000 kilometers, and 17,000 kilometers of rail will accommodate double-decker trains.

In 2013, China's railway fixed assets' investment will reach about RMB 650 billion. The key railway projects include Tianjin-Qinhuangdao, Xi'an-Baoji, Nanjing-Hangzhou, and Hangzhou-Ningbo Passenger Dedicated Lines.

Urban Rail (Metro) Industry Opportunities

By 2015, there will be around 158 urban rail lines in total. By 2020, China is expected to have 6,100 kilometers of urban rail lines.

Example of Metro Projects in Key Cities:

City	Current Metro Lines	Current Metro Mileage (KM)	2020 Planned Metro Lines	2020 Planned Metro Lines (KM)
Shanghai	9	250	20	887
Beijing	8	200	19	700
Guangzhou	7	190	19	570
Shenzhen	4	80	16	585
Tianjin	2	70	14	470

American Rail Working Group (ARWG)

The U.S. Embassy Commercial Section in Beijing launched an American Rail Working Group (ARWG) in January 2009 to strengthen public-private cooperation in the rail sector. The ARWG features 34 U.S. company members and benefits from close relationships with the Chinese Ministry of Railway, U.S. Department of Transportation, Federal Rail Administration, U.S. Trade and Development Agency, U.S. State Department and the U.S. Export-Import Bank. The group meets regularly in Beijing as well as via conference call. New company members are welcome to join. For ARWG membership enquiries, please contact the U.S. Embassy Commercial Section in Beijing by email: aiqun.peng@trade.gov

Major Shows/Exhibitions:

China Modern Railways 2014

Approved and hosted by: The Ministry of Railways in China

Show dates: TBD

Show venue: TBD

<http://www.modernrailways.com.cn/>

Metro China 2013

Approved by: Ministry of Commerce, P. R. China

China Communications and Transportation Association (CCTA), Urban Rail Transit Committee
November 19-22, 2013

China International Exhibition Center

<http://www.metro-china-expo.com/>

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Agricultural Sectors

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The United States Department of Agriculture, through the Foreign Agricultural Service (FAS), operates six offices in the People's Republic of China for the purpose of expanding exports of U.S. agriculture, fishery, and forestry products. U.S. agricultural, fishery, and forestry exports to China from January to December 2012 reached a new high of \$28.7 billion, up 31% from 2011. China is the largest U.S. overseas market for agriculture, fish, and forestry exports. Given China's rising incomes and demand for raw materials and finished foodstuffs, FAS forecasts that China's imports will continue to grow well into the future.

U.S. agricultural exports to China continue to be dominated by bulk commodities, notably soybeans (\$14.9 billion) and cotton (\$3.4 billion). However, some of the fastest growth has been seen in intermediate and consumer-oriented products. Hides and skins reached a new record of \$1.2 billion, growing by 14%, however feeds and fodders exports (mostly DDGS and alfalfa hay) jumped 55% to nearly \$1 billion, reflecting rapid growth in China's own animal husbandry sector. Overall growth for consumer-oriented products was 20%, reaching \$2.38 billion. Of particular note were tree nuts at \$392 million, growing by 93%. Fresh and frozen pork continued to be the largest category, at \$637 million, but slipping by 1%, while dairy products reached \$415 million with growth of 15%. Wine and beer (\$76 million/16% growth), fruit and vegetable juices (\$31.9 million/84% growth), and breakfast cereals (\$16 million/91% growth), all saw substantial increases.

The FAS Agricultural Trade Offices (ATOs) maintain a high-profile presence in China, supporting U.S. agricultural exports by working with industry groups, U.S. producers and exporters, Chinese importers, and Chinese retailers and food service outlets. ATO offices are located in Shanghai, Guangzhou, Beijing, Chengdu and Shenyang. Potential exporters are strongly encouraged to contact ATO offices directly. FAS/China also maintains a web page and a newsletter that exporters can consult to keep abreast of ATO promotional opportunities. The website is at www.usdachina.org
http://www.usdachina.org/Newsletter_en.asp?functionid=111402.

Food and Agricultural exports to China are subject to a number of requirements that do not apply to other product categories: producer registration requirements, health certificates, sanitary of phytosanitary certificates, special labeling requirements, etc. As China continues to reform its own food safety laws, the regulations that apply to imports are also changing. Exporters are encouraged to keep up to date by reading FAS reporting (available at <http://www.fas.usda.gov>) or to contact one of the Agricultural Trade Offices (ATOs) directly. Note, however, that Chinese regulations are subject to differing interpretations at individual

ports. Most experienced importers will have direct contact with inspecting offices and be able to advise of any variations in enforcement of regulations at the local level.

Exporters of U.S. agricultural commodities should also review the FAS website (<http://www.fas.usda.gov>) for general information about trade shows and other promotional venues to showcase agricultural products, FAS-sponsored promotional efforts, export financing and assistance, and a directory of registered suppliers and buyers of agricultural, fishery, and forestry goods in the United States and abroad.

The Animal Plant Health Inspection Service also operates an office in Beijing.

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Chapter 5: Trade Regulations, Customs, and Standards

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Import Tariffs

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A comprehensive guide to China's customs regulations is the Customs Clearance Handbook (2013), compiled by the General Administration of Customs (China Customs). This guide contains the tariff schedule and national customs rules and regulations, and can be purchased at bookshops in China or ordered from the following:

China Customs Press Online Bookstore

<http://www.haiguanbook.com/shop/>

1st Floor, East Wing,

General Administration of Customs of PRC,

No. 6, Jianguomen Nei Street,

Dongcheng District, Beijing, China

Phone: (86 10) 6519-5616

Fax: (86 10) 6519-5127

E-mail: bjjyssid@sina.com

<http://english.customs.gov.cn/publish/portal191/>

Tariff Rates

China Customs assesses and collects tariffs. Import tariff rates are divided into six categories: general rates, most-favored-nation (MFN) rates, agreement rates, preferential rates, tariff rate quota rates, and provisional rates. As a member of the WTO, imports from the United States are assessed at the MFN rate. The five Special Economic Zones, open cities, and foreign trade zones within cities offer preferential duty reductions or exemptions. Companies doing business in these areas should consult the relevant regulations.

China may apply tariff rates significantly lower than the published MFN rate in the case of goods that the government has identified as necessary to the development of a key

industry. For example, China's Customs Administration has occasionally announced preferential tariff rates for items in the automobile industry, steel, and chemical products.

Customs Valuation

The dutiable value of an imported good is its Cost, Insurance, and Freight (CIF) price, which includes the normal transaction price of the good, plus the cost of packing, freight, insurance, and seller's commission. According to Customs Order 954, the "Administrative Regulation on Examination and Determination of the Dutiable Value of Imported and Exported Goods," China Customs is tasked with assessing a fair valuation to all imports. To assess a value, all China Customs officers have access to a valuation database that lists appropriate valuations for various imports, based on international market prices, foreign market prices, and domestic prices. China Customs officers check the price reported by the importer against this database. Normally, China Customs officers will accept the importer's price. However, if the reported value is too far out of line with the database, the China Customs officer will estimate the value of the goods based on methods listed in Article 7 of the PRC Administrative Regulations. For agricultural products, China Customs information frequently does not reflect seasonal changes in pricing or the effects of quality/grade on pricing. As a general rule, China Customs will charge against the highest price reflected in their database. The Foreign Agricultural Service is working with China Customs to improve their understanding of agricultural products pricing.

Taxes

On top of normal tariff duties, both foreign and domestic enterprises are required to pay value-added taxes (VAT) and business taxes. VAT is assessed on sales and importation of goods and processing, repairs, and replacement services. Business taxes are assessed on providers of services, the transfer of intangible assets, and/or the sales of immovable properties within China. VAT is assessed after the tariff, and incorporates the value of the tariff. China is bound by WTO rules to offer identical tax treatment for domestic and imported products. VAT is collected regularly on imports at the border. Importers note that their domestic competitors often fail to pay taxes.

VAT rebates up to 17% (a full rebate) are available for certain exports. The Chinese Government frequently adjusts VAT rebate levels to fulfill industrial policy goals. Exporters complain that it takes months to obtain the rebates and amounts are often miscalculated. Also, rebates are limited by the local budgets, and coastal provincial authorities often run out of funds for rebates well before the end of the year. The applicable rebate method varies according to the date the enterprise was established.

The U.S. signed a tax treaty with China that took effect on January 1, 1987 (United States - The People's Republic of China Income Tax Convention). It provides certain benefits and allows for the avoidance of double taxation, but in order to enjoy the benefits provided by the tax treaty, non-residents (enterprises and individuals) must register with their local tax authorities in accordance with Circular 124.

There is also a Business Tax (BT) to be paid by service providers who received income from providing services (generally 5% on gross income). A new law effective January 1, 2009 requires service providers located outside of China to pay the BT as long as the service recipient is located in China, and it is paid by the service recipient by withholding

a portion of the payment payable (normally 5%) to the provider. The policy is not in accordance with our tax treaty and the U.S. Government has raised this with the Government of China. They have agreed to convert the BT to VAT and started a pilot program in Shanghai. However, it is not yet a nation-wide policy and the BT is still in force.

Furthermore, in March 2007, the National People's Congress passed a unified Corporate Income Tax Law that eliminates many of the tax incentives that had typically been available to foreign invested manufacturers. The change, which took effect on January 1, 2008, introduced an overall 25% corporate income tax rate in lieu of a previous split between domestic (33%) and foreign-invested enterprises (15%) rates. There will be a five-year grace period during which foreign invested enterprises (FIEs) will be grandfathered into the new tax rate. The law includes two exceptions to the 25% flat rate: one for qualified small-scale and thin profit companies, which will pay 20%, and another to encourage investment by high tech companies, which will pay 15%. Additional incentives are available for investments in resource and water conservation, environmental protection, and work safety. Preferential tax treatment for investments in agriculture, animal husbandry, fisheries, and infrastructure development continues to be applied.

FIEs will likely see narrower profits as a result of the tax changes. However, the law provides new incentives to enterprises with high-wage labor costs. Under the 2007 law, financial services, securities, consulting, and other high-wage professional services firms will be able to deduct all wage outlays from their taxable income, which had previously been limited to RMB 1,600 (\$252.8) per month, per employee.

Trade Barriers

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Following China's accession to the WTO in 2001, the Chinese Government took significant steps to revise its laws and regulations in a manner consistent with WTO obligations and strengthen its role in the global economy. Nevertheless, despite progress in many areas, significant barriers for U.S. companies still exist. The U.S. Government strives to address these barriers through bilateral dialogue and engagement, active export promotion, and enforcement of U.S. and international trade laws and obligations.

For more information on specific barriers, please see the U.S. Government's National Trade Estimate Report on Foreign Trade Barriers at:
<http://www.ustr.gov/sites/default/files/2013%20NTE%20China%20Final.pdf>.

A report on China's compliance with WTO rules since joining that organization is published by United States Trade Representative (USTR) and titled "2012 Report to Congress on China's WTO Compliance" (December 21, 2012). This report can be accessed at: <http://www.ustr.gov/about-us/press-office/reports-and-publications/2012/report-to-congress-china-wto-compliance>.

Import Requirements and Documentation

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Normally, the Chinese importer (agent, distributor, joint-venture partner, or FIE) will gather the documents necessary for importing goods and provide them to Chinese

Customs agents. Necessary documents vary by product but may include standard documents such as a bill of lading, invoice, shipping list, customs declaration, insurance policy, and sales contract as well as more specialized documents such as an import quota certificate for general commodities (where applicable), import license (where applicable), inspection certificate issued by the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) or its local bureau (where applicable), and other safety or quality licenses.

U.S. Export Controls

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The United States imposes export controls to protect national security interests and promote foreign policy objectives. The United States also participates in various multilateral export control regimes to prevent the proliferation of weapons of mass destruction and prevent destabilizing accumulations of conventional weapons and related material. The Bureau of Industry and Security (BIS) administers U.S. laws, regulations and policies governing the export and reexport of commodities, software, technology, and certain munitions items (collectively “items”) falling under the jurisdiction of the Export Administration Regulations (EAR). These include purely commercial items and dual-use items. “Dual-use” refers to items that have both commercial and military applications. In addition, BIS currently controls a limited number of items having a primary military application, but the scope of such controls will increase later in 2013 under the Export Control Reform Initiative. On October 15, 2013, BIS will begin administering controls on military items formerly under the jurisdiction of the Department of State that do not warrant control under the International Traffic in Arms Regulations (ITAR) (see below for further information on this change in jurisdiction as a result of the Export Control Reform Initiative). Additional information on export controls and BIS, including the EAR, can be found online at www.bis.doc.gov.

The primary goal of BIS is to advance national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS also enforces antiboycott laws and coordinates with U.S. agencies and other countries on export control, nonproliferation and strategic trade issues. BIS’s Export Administration reviews license applications for exports, reexports and deemed exports (technology transfers to foreign nationals in the United States) subject to the EAR. Through its Office of Exporter Services, Export Administration provides information on BIS programs, conducts seminars on complying with the EAR, provides guidance on licensing requirements and procedures, and presents an annual Update Conference on Export Controls and Policy as an outreach program to industry. BIS’s Export Enforcement is staffed with criminal investigators who investigate illegal exports of items subject to the EAR and enforcement analysts who analyze intelligence and other information to assess the bona fides of parties and evaluate export transactions in support of investigations. BIS also posts Export Control Officers as attaches in Beijing, Hong Kong, New Delhi, Moscow, Singapore, and Abu Dhabi to conduct end-use checks.

Under the EAR, a license is required to export or reexport certain controlled items to end-users in China. In some cases, an end-use check, which can take the form of either a Pre-license Check (PLC) or Post-shipment Verification (PSV), is also required. U.S. exporters are required to obtain an End-User/End-Use Statement from MOFCOM for licensed transactions valued over \$50,000 as part of the license application process. In

certain circumstances, an End-user/End-Use Statement may be required for transactions of a lower dollar value.

In June 2007, BIS published a regulation introducing changes to export control policy towards China, known as the “China Rule.” This regulation states that the United States seeks to facilitate exports to legitimate civilian end-users in China, while preventing exports that would enhance China’s military capability. BIS also established a new Validated End-User (VEU) program, which allows qualified end-users who have an established track record of engaging in only civil activities to receive exports of specified items without individual licenses. Changes to the VEU program, including additions and deletions of VEU-authorized companies, are published in the Federal Register. Application for the VEU program is voluntary and can be made by an end-user in China or by a U.S. exporter on behalf of a customer in China. Interested companies can apply by submitting a request for an advisory opinion to BIS.

U.S. exporters should consult the EAR for information on how export license requirements may apply to the sale of their goods to China. If necessary, a commodity classification may be submitted in order to determine how an item is controlled (i.e., the classification) and the applicable licensing policy. Exporters may also request a written advisory opinion from BIS about application of the EAR. Information on commodity classifications, advisory opinions, and export licenses can be obtained through the BIS website at www.bis.doc.gov or by contacting the Office of Exporter Services at the following numbers:

Washington, D.C. Tel: (202) 482-4811 Fax: (202) 482-3322

Western Regional Office Tel: (949) 660-0144 Fax: (949) 660-9347

Exporters are also urged to check lists identifying specific end users (persons, companies and entities) that are under U.S. Government sanctions or for whom export licenses or additional due diligence may be required. Information on these lists, which include the Entity List, Denied Persons List, Unverified List, Specially Designated Nationals List, and Debarred List, is available on the BIS website at <http://www.bis.doc.gov/complianceand enforcement/liststocheck.htm>. A consolidation of all U.S. Government sanctions lists can be found at http://export.gov/ecr/eg_main_023148.asp. U.S. exporters who engage in transactions with listed parties may themselves become subject to administrative and/or criminal penalties.

Additional information about U.S. export controls administered by BIS may be obtained from the BIS Export Control Officer at the U.S. Commercial Service, U.S. Embassy Beijing, Tel: (86)(10) 8531-3301/4484 or Fax: (86)(10) 8529-6558.

Select Legislation, Executive Orders, or Regulatory Actions Impacting Exports or Reexports to China:

In 1990 the U.S. Congress passed P.L. 101-246, commonly referred to as the “Tiananmen Sanctions”, which restrict the export and reexport of crime control and crime detection equipment and instruments listed in the EAR to China. The Tiananmen Sanctions also prohibit the export to China of defense articles and defense services subject to the ITAR. These restrictions apply regardless of the end-user in China.

In 1999, the U.S. Congress passed P.L. 105-261, which permits the export to China of missile-related equipment or technology only if the President first certifies to Congress that the specific proposed export is not detrimental to the United States space launch industry and the equipment or technology to be exported, including any indirect technical benefit, will not measurably improve China's missile or space launch capabilities.

On June 28, 2005, President Bush signed Executive Order 13382, which amended Executive Order 12938 by providing sanctions against entities that finance and support proliferation activities. Chinese entities have been sanctioned under this Executive Order, as well as under the Iran Nonproliferation Act of 2000 (P.L. 106-178), Iran-Iraq Arms Nonproliferation Act of 1992 (P.L. 102-484), and Executive Order 12938, as amended by Executive Orders 13094, 13128, and 13882. Additional information on these sanctions can be found on the State Department website at <http://www.state.gov/t/isn/c15231.htm>.

On October 15, 2013, certain defense articles previously subject to the ITAR will become subject to the EAR as part of the Export Control Reform Initiative. The first final rule implementing this transfer was published on April 16, 2013 (78 Fed. Reg. 22660). Future final rules will be published on a rolling basis and transfer additional items from the ITAR to the EAR. While such items will no longer be defense articles, they will continue to require a license to China and thus maintain the prior licensing requirements of the ITAR.

Related Controls:

Other U.S. agencies regulate exports of more specialized items. For example, the U.S. Department of State's Directorate of Defense Trade Controls administers U.S. export controls covering defense articles and defense services that appear on the U.S. Munitions List under the ITAR. Information on U.S. Department of State export licensing procedures, the ITAR, and the Arms Export Control Act can be found at <http://www.pmddtc.state.gov/> or at Tel: (202) 663-1282.

The point of contact for U.S. Department of State licensing issues at the U.S. Embassy Beijing is the Economic Section, Tel: (86) (10) 8531-3000, Fax: (86) (10) 8531-4949.

Temporary Entry

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1. Trade Shows & Exhibitions

Participants of trade shows and exhibitions can come into China on tourist visas and travel in-country. Notebook computers, cameras and portable printers can be brought into China as personal belongings. Business firms seeking to bring in exhibits and items for display should consult with customs authorities or the show organizers for regulation on the procedures and to obtain copies of appropriate forms.

2. Temporary Entry

Goods imported in China for display or demonstration at trade shows and exhibitions are exempt from customs duty, provided they are re-exported within six months. The time for re-export may be extended with China Customs approval. The exhibition organizer must obtain advance approval from China Customs, provide certain shipping documents and

a list of items to be exhibited, and coordinate with China Customs officials. China Customs may sometimes request a guarantee in the form of a deposit or letter.

A local sponsor with authority to engage in foreign trade may sponsor small exhibitions or technical seminars, requiring less than 1,000 square meters in exhibition space. Customs will handle the tariff exemption formalities based upon a guarantee of re-export that is signed between the sponsor and the foreign party.

Food and beverage exhibition "not-for-sale" sample-entry rules are frequently not acknowledged by Chinese authorities. Under the current system, such samples are officially subject not only to fully tariff and taxes, but product and labeling registration requirements. Trade show organizers may be able to obtain exceptions, however these are largely of a one-off nature. It may also be possible to obtain exceptions to registration and labeling regulations at a given port by working through the local ATO office. However, such arrangements require substantial lead times and cannot be guaranteed.

Some exhibits or samples imported under the temporary not-for-sale regulations may be sold after the trade event is completed, in which case the duties owed on these items are levied by Customs.

According to the Corporation for International Business (CIB), the ATA Carnet Issuing authority in China no longer requires a cover letter along with the carnet presented to Chinese customs inspectors. CIB is an ATA Carnet Service Provider of the U.S. Council for International Business (USCIB), New York City. USCIB is the Guaranteeing and Issuing Association for the ATA Carnet in the United States. Interested firms can contact the CIB by sending an e-mail to carnets@atacarnet.com or by calling the CIB Carnet hotline (800 ATA-2900).

Companies are advised that freight forwarders will help to prepare a declaration form and Chinese Customs requests the model and serial numbers for high-value exhibits. Requirements may differ for types of products to be imported. In addition, fumigation is required for all wooden packing materials, in accordance with International Plant Protection Convention (IPPC) standards, and must bear the IPPC symbol.

3. Importing Commercial Samples into Beijing, China

Import commercial samples are those articles imported specifically for the purpose of placing an order.

Related Regulations:

Even if items can enter free of charge, it should be declared by the consignee or agent that registered in Customs.

Imported commercial samples subject to import controls should only be imported with licenses. It is recommended to consult with Customs at the destination before samples are sent from the origin country.

Imported commercial samples with no commercial value should be imported duty and VAT free, while all the other imported commercial samples are subject to duty and VAT.

Imported commercial samples that belong to companies that have not registered with Customs need to apply for temporary registration to Customs. It is recommended to consult the destination before samples are sent from the origin country.

Notifications:

If the commercial sample is made of any dangerous materials, it is recommended to send them directly to the final destination, and carriers and the final destination should be consulted prior to the samples being sent from the origin.

The normal operation for customs clearance in Beijing takes three days. Never consign commercial samples to an individuals' name or hotel address. It is highly recommended to check on the China Customs Regulations before sending samples.

4. Passenger Baggage

Reasonable quantities of items for personal use by short-term visitors may be imported duty-free. An individual is allowed to carry under \$6,000 worth of foreign currency without having to declare it to Chinese Customs upon arrival.

5. Advertising Materials and Trade Samples

The General Administration of China Customs released a new regulation that went into effect on July 1, 2010. The objective is to further monitor import and export of samples and advertising articles into China. The regulation stipulates the following:

Removal of duty-free value limit of RMB 400. As a result, all shipments containing samples and advertising articles will be taxed according to their respective commodity HS codes. Exemption of Taxes now only applies to shipments fulfilling the following criteria:

- a) Shipments with import tax less than RMB 50;
- b) Shipments with no business value, to be applied by shippers from Monday to Friday (domestic overseas), that pass strict physical inspection by China Customs;
- c) Only those parties who have registered with China Customs can declare shipments (*i.e.* China shipper, China consignee, and agent).

The following samples, regardless of value are dutiable: motor vehicles, bicycles, watches, televisions, recorders, radios, electric gramophones, cameras, refrigerators, sewing machines, photocopiers, air conditioners, electric fans, vacuum cleaners, acoustic equipment, video recording equipment, video cameras, amplifiers, projectors, calculators, electronic microscopes, electronic color analyzers, and their major parts. In these cases, the shipper should not only use the word "sample" on the Air Waybill and Commercial Invoice, but also include a detailed description of the commodity. For more information contact the Customs General Administration of the People's Republic of China at: www.customs.gov.cn.

6. Representative Offices' Personal Effects and Vehicles

Representative offices (ROs) must submit a written application to Customs if they intend to import any personal effects or vehicles. Approval by Customs waives any relevant

import license requirements and allows the office to import the equipment in reasonable amounts for office-use only.

7. Processing Materials and Parts

Raw materials, components, spare parts, auxiliary materials, and packaging materials imported by FIEs for the production of goods which will be re-exported are exempt from customs duty and VAT. The materials and components must be processed into products and exported within one year from the date of importation. In special circumstances, an FIE can apply to extend the date of export to a total time no longer than two years from the date of importation. Bonded warehouses may be established within the FIE and are subject to supervision by Customs.

8. Warehouses

Goods that are allowed to be stored at a bonded warehouse for up to one or two years are limited to: materials and components to be used for domestic processing subject to re-exportation; goods imported under special approval on terms of suspending the payment of import duties and VAT; goods in transit; spare parts for free maintenance of foreign products within the period of warranty; and fuel for aircraft and ships.

At the end of the two-year period, the goods must be imported for processing and re-exported, licensed for import, or disposed of by China Customs. Duties and VAT may be assessed depending upon the degree of processing done in China. Goods imported under normal import contracts are not allowed to be stored in bonded warehouses.

Labeling and Marking Requirements

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Based on the Food Safety Law which went into effect June 1, 2009, imported pre-packed food shall have labels and instructions in Chinese. The labels and instructions shall conform to this law, other relevant laws, administrative regulations and national food safety standards of China, and state the place of origin, as well as the name, address, and contact information of the domestic agent.

As noted in the Product and Certification section above, products requiring the China Compulsory Certification (CCC) Mark, in addition to undergoing an application and testing process, must have the mark physically applied on products before entering or being sold in China.

Labeling and marking requirements are mostly made by different industry authorities. However, all products sold in China must be marked in the Chinese language. The State Administration for Quality Supervision, Inspection, and Quarantine (AQSIQ) requires imported and exported (but not domestic) food items such as candy, wine, nuts, canned food, and cheese to have labels verified and products tested for quality before a good can be imported or exported. According to the Food Labeling Standards of China (GB7718-2011), imported foods shall have clear markings that indicate the country of origin in addition to the name and address of the general distributor registered in the country.

Prohibited and Restricted Imports

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The following items are prohibited from entering China: arms, ammunition, and explosives of all kinds; counterfeit currencies and counterfeit negotiable securities; printed matter, magnetic media, films, or photographs which are deemed to be detrimental to the political, economic, cultural and moral interests of China; lethal poisons; illicit drugs; disease-carrying animals and plants; foods, medicines, and other articles coming from disease-stricken areas; old/used garments; and local currency (RMB). Food items containing certain food colorings and additives deemed harmful to human health by the Ministry of Health are also barred entry.

In addition, rules went into effect in June 1999 which further restrict or prohibit the importation of certain commodities related to the processing trade. The "Catalogue of Commodities Which are Restricted or Prohibited from Importing for Use in the Processing Trade" is designed to shift the direction of China's processing trade toward handling commodities with higher technological content and greater value-added potential. The catalogue identifies the following "prohibited commodities": used garments; used publications with licentious content; radioactive or harmful industrial waste; junk cars, used automobiles or components; seeds, seedlings, fertilizers, feed, additives, or antibiotics used in the cultivation or breeding of any export commodity. The catalogue lists seven general types of "restricted commodities": raw materials for plastics, polyester sections, raw materials for chemical fibers, cotton, cotton yarn, cotton cloth, and some steel products. This list was updated yearly beginning in 1999, with the last one published in 2010:

(<http://cys.mofcom.gov.cn/aarticle/al/201009/20100907166511.html>).

However, these reports only show updates and do not reflect the final list. U.S. firms should contact the China Customs for guidance regarding the import of any of these products. (See below for contact information)

All wood packages should carry an IPPC mark, or it will be subject to further requirements. The latest rule is called the Measures for the Administration of Quarantine and Supervision of Wooden Packages of Imported Goods, promulgated by AQSIQ, effective from January 1, 2006.

Scrap: In 2007, AQSIQ published a "Notice Regarding Renewal Procedures for the License and Registration of Overseas Enterprises of Imported Scrap Materials," an English version of which can be found on their website. All written application materials should be marked "Renewal Application Materials for Registration of Overseas Supplier Enterprise for Scrap Materials" and mailed to:

Division of Inspection & Supervision,
General Administration of Quality Supervision, Inspection & Quarantine of the
P.R. of China (AQSIQ)
No. 9, MaDian East Road, Haidian District, Beijing 100088, China
Telephone for Enquiry: (86 10) 8226-0092.

Customs Regulations and Contact Information

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China General Administration of Customs
<http://english.customs.gov.cn/default.aspx>

Standards

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Overview

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The Standardization Administration of China (SAC) is the central accrediting body for all activity related to developing and promulgating national standards in China. The China National Certification and Accreditation Administration (CNCA) coordinates compulsory certification and testing, including the CCC system. Both SAC and CNCA are administratively under the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ).

Standards in China fall into at least one of four broad categories: national standards, industry standards, local or regional standards, and enterprise standards for individual companies. National standards can be either mandatory (technical regulations) or voluntary. In any case, they take precedence over all other types of standards.

In general, exporters to China should be aware of three broad regulatory requirements in the standards and testing area. First, SAC maintains more than 27,000 national standards (known as “GB standards” in English and “guobiao” in Chinese), of which slightly less than 13% are mandatory. It is also important to note that laws and regulations can reference voluntary standards, thereby making the voluntary standard, in effect, mandatory. Second, for products in 23 categories that include some 254 items and 489 HS codes, such as certain electrical products, information technology products, consumer appliances, fire safety equipment and auto parts, CNCA requires that a safety and quality certification mark, the aforementioned CCC Mark, be obtained by a manufacturer before selling in or importing to China. Please refer to the Commodity List of Products Requiring the China Compulsory Certification for more information at: <http://www.shciq.gov.cn/templates/detail.jsp?id=9577>. Third, numerous government agencies in China mandate industry-specific standards or testing requirements for products under their jurisdiction, in addition to the GB standards and the CCC Mark described above. This often leads to onerous duplicative testing requirements.

Standards Organizations

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Technical Committees (TC) developing national or GB standards must be accredited by SAC. These TCs are comprised of members from government agencies, private industry associations, companies (sometimes local branches of foreign companies but often with limited voting rights), and academia.

Other government agencies, such as the National Development and Reform Commission (NDRC), and the Ministry of Industry and Information Technology (MIIT), can approve and promulgate technical regulations that may reference voluntary standards, rendering them mandatory.

NIST Notify U.S. Service

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

Notify U.S. is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL:

<http://www.nist.gov/notifyus/>

Conformity Assessment

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CNCA is the primary government agency responsible for supervision of China's conformity assessment policies, including its primary safety and quality mark, the China Compulsory Certification (CCC) Mark. CNCA supervises the work of the China National Accreditation Service for Conformity Assessment (CNAS), which accredits certification bodies and laboratory and inspection facilities.

Product Certification

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The CCC Mark is China's national safety and quality mark. The mark is required for 20 categories including 149 products, ranging from electrical fuses to toaster ovens to automobile parts to information technology equipment. About 20% of U.S. exports to China are on the product list. If an exporter's product is on the CCC Mark list, it cannot enter China until CCC registration has been obtained, and the mark physically applied to individual products as an imprint or label. Similarly, domestic products cannot be sold in China without obtaining registration and applying the mark on individual products. The CCC Mark system is administered by CNCA. (Note: as of May 3, 2013, 2 categories of medical devices, including 8 products, were removed from the catalog, CNCA 2012 No. 30 Notice)

Obtaining the CCC Mark involves an application process to authorized Chinese certification bodies. At present, no foreign testing labs or other entities have been certified to participate in this process. The application process can take several months, and can cost upward from \$4,500 in fees, in addition to the travel costs of the inspectors. The process includes sending testing samples to a Chinese laboratory and testing in those labs to ensure the products meet safety and/or electrical standards. A factory inspection of the applicant's factories, to determine whether the product line matches the samples tested in China, is also required. Finally, Chinese testing authorities approve the design and application of the CCC logo on the applicant's products. Some companies, especially those with a presence in China and with a dedicated certification/standards staff, are able to manage the application process in-house. Other exporters can tap the expertise of standards consultants based both in the U.S. and in China who can provide application management services and handle all aspects of the application process.

The U.S. Department of Commerce maintains a comprehensive CCC Mark website to help U.S. exporters determine whether they need the CCC Mark and how to apply:

<http://www.mac.doc.gov/china/cccguid.htm>. The Department of Commerce also

sponsors CCC Mark seminars in cities across the United States. Contact the Office of Market Access and Compliance, China Economic Area of the Department of Commerce, International Trade Administration, or visit its website for more information.

Though the CCC Mark is China's most widely required product certification mark, other product certification requirements exist. These include, for example, requirements for boilers and 81 pressure vessels, under a product certification regime administered by the Special Equipment Licensing Office of AQSIQ. Another product certification scheme is required for certain measurement equipment, known as Certificate of Pattern Approval, which is also administered by AQSIQ.

Accreditation

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The China National Accreditation Service for Conformity Assessment (CNAS) is the national accreditation body of China solely responsible for the accreditation of certification bodies, laboratories and inspection bodies, which is established under the approval of the Certification and Accreditation Administration of China (CNCA) and authorized by CNCA in accordance with the Regulations of the People's Republic of China on Certification and Accreditation. Accredited bodies list can be found on the CNAS website: <http://eng.cnas.org.cn/col712/index.htm1?colid=712>. The U.S. government is currently negotiating with China for them to open up this market to foreign testing bodies. If this occurs, it will make the CCC process much less cumbersome and expensive.

Publication of Technical Regulations

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China is obligated to notify other WTO members of proposed technical regulations that would significantly affect trade. Notifications are made through the Technical Barriers to Trade (TBT) committee notification point. All members, including China, are required to allow for a "reasonable" amount of time for comments to proposed technical regulations (i.e., compulsory standards). However, China often only gives a few weeks, as opposed to the standard of 30 to 60 days practiced by other nations.

Labeling and Marking

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imported foods shall have clear markings that indicate the country of origin in addition to the name and address of the general distributor registered in the country.

Contacts

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U.S. Embassy Beijing

Cathy Feig
Standards Officer
Tel: (86 10) 8531-4326
Cathy.Feig@trade.gov

Liting Bao
Commercial Specialist for Standards
Tel: (86 10) 8531-3889
Liting.Bao@trade.gov

Trade Agreements

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The Ministerial Declaration on Trade in Information Technology Products (ITA) was concluded by 29 participants at the Singapore Ministerial Conference in December 1996. The number of participants has grown to 70, representing about 97 per cent of world trade in information technology products. The ITA provides for participants to completely eliminate duties on IT products covered by the Agreement. Developing country participants have been granted extended periods for some products.
http://www.wto.org/english/tratop_e/inftec_e/inftec_e.htm

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A comprehensive list of accredited technical committees in China:
Link in Chinese: <http://new.sac.gov.cn/SACSearch/search?channelid=61613>

A list of products required to obtain China Compulsory Certification:
Link in Chinese: <http://www.cnca.gov.cn/cnca/rdht/qzxcprz/default.shtml>
(up-to-date English link not available)

Free notifications of proposed technical regulations and standards are available from the Department of Commerce, National Institute of Standards and Technology:
www.nist.gov/notifyus

Free weekly updates of standards activity in China from the Department of Commerce, International Trade Organization Standards web page:
<http://www.ita.doc.gov/td/standards/>

Information regarding rules of importation from AQSIQ, including a very useful map with links to local bureaus of entry-exit and quarantine: <http://english.aqsiq.gov.cn/>

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Chapter 6: Investment Climate

The 2013 Investment Climate Statement – China was prepared by the Department of State. It is located here:

<http://www.state.gov/e/eb/rls/othr/ics/2013/204621.htm>

The 2013 Investment Climate Statement covers these topics:

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
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How Do I Get Paid (Methods of Payment)

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In China's liberalized economic regime, there are many ways to finance imports. The most commonplace are letters of credit and documentary collections. No matter what method is used, the Chinese importer needs to apply for the foreign exchange amount for the trade transaction from the State Administration of Foreign Exchange (SAFE). Please see the section below on "Foreign-Exchange Controls" for more information.

1. Letters of Credit

A Letter of Credit (L/C) is a written undertaking that a bank is to pay the beneficiary an amount of money within a specified time, provided that the documents under the L/C are in compliance with the terms and conditions thereof are presented.

China, as a member of the International Chamber of Commerce since 1995, is subject to the Unified Customs and Practice (UCP) 500 code regarding international trade payments.

Most Chinese commercial banks (e.g., Bank of China, China Construction Bank, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of Communications, China Merchants Bank, and CITIC Bank, to name a few) have the authority to issue letters of credit for both imports and exports. Foreign banks with branch or representative offices in China can also issue letters of credit. The China Merchant Bank provides an overview of the L/C process in China:

<http://english.cmbchina.com/Corporate/International/DetailInfo.aspx?guid=be024c3a-786c-4f63-a8f6-33d0a6923df6>

2. Documentary Collections

This method of payment is similar to a letter of credit, but less formal and more flexible. Just as with letters of credit, the exporter submits a full set of trade documents for payment collection to the bank designated in the contract. The Chinese bank will send the documents to the home office, which examines them and, in some cases, passes them to the buyer for further examination. Payment is made after the documents have met the approval of all parties. This method of payment provides only limited coverage against default. It can be considerably less expensive than a letter of credit, but should

be used with caution. It is the responsibility of the exporter to determine the specific instructions to be used in the collection letter.

3. Other Methods

a. Contract Advance (for wire remitted funds, also called T/T Finance):

Contract Advance is a specially tailored product for transactions under open account contract wherein T/T payment terms are called for. Upon arrival of goods, the Chinese importer may apply for this service, whereby a Chinese bank may advance the importer the payment to the exporter. The importers are to repay this advance after the goods are sold and the proceeds are received. Before applying for a contract advance, the importer needs to apply to the Chinese bank for a T/T Finance facility, which may be granted after assessment of the importer's financial status.

b. Import Factoring:

Import factoring is suitable for Open Account (O/A) import business. At the request of the supplier and in the light of a Chinese bank's internal appraisal of the importer's credit standing, the bank can offer the supplier a credit line, under which the bank will not only protect the export receivables assigned to the Chinese bank against the importer's credit risk, but also provide the importer with financial management services. The importer needs to select O/A as the payment term when negotiating with the supplier, and suggest the supplier to submit factoring application to a Chinese bank, i.e., the import factor, through the supplier's local export factor.

Upon receipt of the supplier's application, the import factor will notify the supplier of the credit line decision after comprehensive assessment of the importer's credit standing. The supplier will dispatch goods and assign the related export receivables to the import factor in accordance with the approved credit line. When the factored invoices come due, the import factor will remind the importer to effect payment.

How Does the Banking System Operate

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Banking System in China

Cooperation and competition co-exist between Chinese banks and foreign banks in China.

1. Regulatory Bodies: People's Bank of China (PBOC), State Administration of Foreign Exchange (SAFE) and China Banking Regulatory Commission (CBRC)

The PBOC is China's central bank, which formulates and implements monetary policy. The PBOC maintains the banking sector's payment, clearing and settlement systems, and manages official foreign exchange and gold reserves.

The PBOC oversees the SAFE for setting foreign-exchange policies. SAFE is the government agency that drafts rules and regulations governing foreign exchange market activities, promoting the development of foreign exchange market, and providing the PBOC with references for the formulation of exchange rate policy.

The CBRC was officially launched on April 28, 2003, to take over the supervisory role of the PBOC. The goal of the landmark reform was to improve the efficiency of bank supervision and to help the PBOC to further focus on the macro economy and currency policy.

2. The “Big Five” Chinese Commercial Banks

The largest five state-owned banks in China, the Industrial and Commercial Bank of China (ICBC), the Bank of China (BOC), the China Construction Bank (CCB), the Agricultural Bank of China (ABC), and Bank of Communications (BOCOM) dominate the banking system and together account for well over half of all loans and deposits in China's banks. Several have become some of the largest banks in the world as valued by market capitalization. For example, ICBC and CCB are the world's largest and second largest banks by market value. The State, operating through the Ministry of Finance, continues to own a majority stake in each of these institutions. These five banks all are publicly listed in Chinese stock markets and also on international bourses. The “Big Five” constitute the absolute majority of bank lending in China. Bank lending remains the most important financing vehicle in the country; equity finance and the corporate bond market remain small but have been on the rise in recent years, while bank lending constitutes roughly 80% of total lending. The majority profits of a Chinese bank comes from the difference between the interest rate paid to depositors and the lending rate to the borrowers, of which a generous spread is set by the central bank in order to protect the banks from fierce competition.

3. Policy Banks

Three “policy” banks-the Agricultural Development Bank of China (ADBC), the China Development Bank (CDB), and the Export-Import Bank of China (EXIM) were established in 1994 to take over the government-directed spending functions of the four state-owned commercial banks (ICBC, CCB, BOC and ABC). These banks are responsible for financing economic and trade development and state-invested projects. CDB specializes in infrastructure financing; ADBC provides funds for agricultural development projects in rural areas, and EXIM specializes in trade financing. The policy banks like EXIM are able to provide preferential loans with very flexible payment schedules at less than half the interest offered by any of the commercial banks. However, in the last decade the government has steered the policy banks in a new direction and put in motion a dramatic commercialization movement.

4. Second Tier Joint-Stock Commercial Banks

The second-tier joint-stock commercial banks include CITIC Bank, China Everbright Bank, Hua Xia Bank, China Minsheng Bank, Guangdong Development Bank, Shenzhen Development Bank, China Merchants Bank, Shanghai Pudong Development Bank, Industrial Bank, Evergrowing Bank, Zheshang Bank, and the Bohai Bank. Since 2010, the joint-stock commercial banks in China have witnessed remarkable improvement in asset quality, risk control, profitability, and managerial system through constant reform and development.

5. City Commercial Banks

There are altogether 132 city commercial banks in China, including the Bank of Shanghai, Bank of Beijing, Tianjin City Commercial Bank, Shenzhen City Commercial Bank, Guangzhou City Commercial Bank, Jinan City Commercial Bank, Hangzhou City Commercial Bank, Nanjing City Commercial Bank, Ningbo City Commercial Bank, Wuxi City Commercial Bank, Wuhan City Commercial Bank, and Xi'an Commercial Bank. The Banks of Beijing and Shanghai are the largest city commercial banks.

The Chinese city commercial bank industry has continued high-speed growth. By the end of 2011, the total assets of Chinese city commercial banks amounted to RMB11.5134 trillion, with a year-on-year rise of 15%; the liabilities totaled RMB 10.8 trillion, up 15% from a year earlier. The number of city commercial banks with total assets of over RMB 100 billion registered was 27 in 2011, eight more than that in 2010.

6. Rural Commercial Banks and Rural Credit Cooperatives

Rural credit cooperatives, much closer to rural areas and farmers than any other banking institutions, have created large numbers of financial products which met the needs of the rural economy and have gained popularity among farmers. In the past 60 years, rural credit cooperative workers have been dedicated to serving agriculture, rural areas, and farmers. Nearly 80,000 branches, with 800,000 workers in counties and rural areas, served 0.8 billion rural residents, provided almost 80% of rural household loans and provided 80% financial coverage of the under-banked villages and towns in China.

In early 2011, the CBRC selected the first five Rural Commercial Banks, Beijing Rural Commercial Bank, Shanghai Rural Commercial Bank, Chongqing Rural Commercial Bank, Chengdu Rural Commercial Bank, Zhangjiagang Rural Commercial Bank, to carry out the implementation of the Basel II pilot. In July 2011, CBRC issued a "Rural Banking Institutions on the Implementation of Basel II Guidance". The implementation of Basel-oriented comprehensive risk management system for rural commercial banks is aimed at narrowing their gap with the other commercial banks, to enhance their management level and the core competitiveness, and to achieve sustainable development.

7. Foreign Banks in China

At present, the scope of business and regulatory standards for foreign banks registered in China is consistent with that for Chinese banks. A foreign bank registered in China can operate the foreign exchange and RMB business to enterprises and individuals, and comply with the same requirements as for a Chinese bank in terms of capital adequacy, credit concentration limits, savings and loan ratio, liquidity and other prudential provisions. Branches of foreign banks can conduct foreign exchange business and limited RMB business (only for foreigners in China); those foreign bank branches in China that were approved to conduct RMB business can absorb no less than RMB 100 million from the Chinese citizen for each deposit.

The top five locally incorporated foreign banks' assets all exceed of RMB100 billion, which reach the level of national joint-stock commercial banks. To become a locally incorporated bank in China, a foreign bank needs to apply to the CBRC, as well as gain approval from SAFE to bring working capital onshore. The process of doing so is frequently lengthy.

According to the CBRC 2011 Annual Report, by the end of September 2011, there were 39 foreign banks locally incorporated in China (consists of 247 branches and subsidiaries), 1 foreign financial company, 93 foreign bank branches and 207 representative offices, from 47 different countries. Over the past decade, the annual compound growth rate of foreign banks reached 19%, and the annual compound growth rate of their profits reached 26%. Foreign banks have presence in 50 cities across 27 provinces, which is an additional 30 cities from 2003. According to PricewaterhouseCoopers Limited, foreign banks experienced their most profitable year in China during 2011.

As of July 2012, there were 40 foreign banks locally incorporated in China. Foreign bank competition converged with domestic bank competition in this same year. In June 2012, the Big Six retail banks operated 442 branches and sub branches in China. Shanghai, one of China's banking hubs, expects to grow its pool of nearly 245,000 financial services professionals to 320,000 by 2015. Recent policy announcements demonstrate the Government's commitments to helping Shanghai fill these high ambitions.

Foreign-Exchange Controls

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PBOC and SAFE regulate the flow of foreign exchange in and out of the country, and set exchange rates through a "managed float" system. This system had been informally suspended in 2008 during the financial crisis, but was reinstituted June 18, 2010. Since then, the RMB has appreciated against the USD. PBOC authorized SAFE to regulate the inter-bank foreign exchange spot and forward markets.

Starting from October 1, 2008, companies must report any overseas payment with a payment term over 90 days from the date shown on the import declaration form to SAFE—no matter the amount—or they will not be allowed to arrange the overseas payment. The accumulated reported overpayment amount in one calendar year cannot exceed 10% of total importation amount of the last year.

On October 30, 2008, SAFE published a notice stipulating that from November 15, 2008, when an enterprise enters into a contract that contains a clause for the pre-payment for purchases, the enterprise must register the contract with SAFE within 15 working days after the contract is signed. The enterprise also must register the foreign exchange repayment within 15 days before the remittance. If the contract does not contain a pre-payment clause but a foreign exchange repayment is nevertheless required, the enterprise must register the contract and the foreign exchange prepayment within 15 working days before the remittance. As to the amount of the pre-payment, in principle, the enterprise pre-payment quota cannot exceed 10% of the total payment the enterprise has made for importation in the past 12 months. However, enterprises handling large, complete sets of equipment are exempt.

In April 2006, PBOC made the following announcement regarding the partial adjustment of foreign exchange management policies to facilitate trade and investment:

1. In the case that enterprises open, change, or close foreign exchange accounts used for current account transactions, the administration mode is changed from being based on prior approval to direct processing of the applications by banks in accordance with foreign exchange management requirements and business practices while at the same

time filing with SAFE. In addition, the foreign exchange account limits for current account transactions increased, and enterprises are allowed to purchase foreign exchange in advance to support authentic trade payments.

2. Documents required for sale and purchase of foreign exchange in the service trade are simplified with the examination and approval procedures relaxed.

3. Procedures related to sales of foreign exchange to resident individuals have been further trimmed and the limits on purchase of foreign exchange have been increased. Within such a quota, individuals can purchase foreign exchange from banks by presenting their identity documents and declaring the usage of foreign exchange; banks can sell foreign exchange exceeding the quota to individuals after verifying relevant documents to satisfy their real needs.

4. Expanding domestic banks' overseas foreign exchange investment services on behalf of their clients: Qualified banks are allowed to collect RMB funds of domestic institutions and individuals and convert into foreign exchange under a specified limit to invest in overseas fixed income products.

5. Qualified securities brokers such as fund management companies are allowed to collect self-owned foreign exchange of domestic institutions and individuals and use the funds for overseas portfolio investment including buying stocks.

6. Further expanding overseas securities investment by insurance institutions: Qualified insurance institutions are allowed to purchase foreign exchange for the purpose of investing in overseas fixed-income products and money market instruments. The amount of foreign exchange purchases is subject to a limit proportional to the total asset of an insurance institution.

U.S. Banks in China

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Among the 39 locally incorporated foreign banks in China, there are six from the United States, including Citibank, JPMorgan Chase Bank, Bank of America Merrill Lynch, BNY Mellon, Wells Fargo Bank and the Pufa Silicon Valley Bank, which is a joint venture bank between Shanghai Pudong Development Bank and U.S. Silicon Valley Bank. These six banks operate about 80 branches and representative offices in China.

Citibank:

Citi's history in China dates back to 1902 when it became the first American bank to establish operations there, and now offers corporate and investment banking, consumer banking and private banking services. On April 2, 2007, Citi locally incorporated as Citibank (China) Company Limited.

JPMorgan Chase Bank:

JPMorgan Chase & Co. is a U.S.-based global financial services firm with assets of \$2.3 trillion and operates in more than 60 countries with over 240,000 employees.

JPMorgan's history in China dates back to the 1920s. It offers wholesale and commercial banking products. In July 2007, JPMorgan Chase Bank (China) locally incorporated, making it the first locally incorporated foreign bank in Beijing. JPMorgan

Chase Bank has 20 office locations in China with the Head Office in Beijing.

Bank of America Merrill Lynch:

Bank of America Merrill Lynch serves individual consumers, small and middle market businesses and large corporations with a range of banking, investing, asset management and other financial and risk-management products and services. Within the United States, it serves approximately 57 million consumer and small business relationships with 5,700 retail banking offices and approximately 17,750 ATMS. Bank of America Merrill Lynch is member of the Global ATM Alliance, which is a joint venture between several major international banks, making it a partner with China Construction Bank (CCB) which has over 13,500 office locations in China, making it one of the “big four” banks in China and the second largest bank in the world by market capitalization in 2011.

BNY Mellon:

Headquartered in New York and established in 2007 from the merger of Mellon Financial Corporation and the Bank of New York Company, Inc., BNY Mellon has \$1.3 trillion assets under management and 49,000 employees in 36 countries worldwide. The company has had a physical presence in China since 1994 when it opened its first office in Shanghai, and later another in Beijing. BNY Mellon has four offices locations in China: two in Beijing and two in Shanghai.

Wells Fargo Bank:

Wells Fargo opened for business in the gold rush era in San Francisco. It is now a diversified financial services company providing banking, insurance, investments, mortgage, and consumer and commercial finance through more than 9,000 stores and 12,000 ATMs and the Internet across North America and internationally. Wells Fargo has \$1.3 trillion in assets and approximately 270,000 team members. It ranks fourth in assets and second in market value of its stock among other U.S. peers as of March 31, 2012. Wells Fargo Bank has one office location in China, in Shanghai.

Pufa Silicon Valley Bank:

Pufa Silicon Valley Bank was officially opened on August 10, 2012. CBRC agree with of Pufa Silicon Valley Bank operates in accordance with the relevant regulations, but they do not engage Chinese citizens within the territory of the RMB business, within a certain period of time after the Shanghai Pudong Development Silicon Valley Bank opened new branches. Pufa Silicon Valley Bank, the registered capital of RMB 10 billion, the company with the U.S. Silicon Valley Bank holds a 50% stake in each. Pufa Silicon Valley Bank has three office locations in China: two in Shanghai and one in Beijing.

Project Financing

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Sources of financial support available to U.S.-based exporters are:

Export Credits

The U.S. Export-Import Bank (Ex-Im Bank), an independent agency of the U.S. Government, seeks to increase the competitive position of U.S.-based exporters in overseas markets by supporting the financing of U.S. export sales. All of Ex-Im Bank's financial products are available for Chinese buyers of U.S goods and services for the

short, medium and long term. Generally speaking, Ex-Im Bank guarantees the repayment of loans or makes loans to international purchasers of U.S. goods and services. Ex-Im Bank also extends export credit insurance to overseas buyers and protects U.S. exporters against the risks of non-payment for political or commercial reasons. A reasonable assurance of repayment on every transaction financed must be provided.

Ex-Im Bank signed a Framework Agreement (Agreement) with China's Ministry of Finance (MoF) in 2005. According to this Agreement, the MoF will undertake to provide sovereign guarantee for imports from the U.S. for Chinese Government projects. In the past, Ex-Im Bank has worked with the Bank of China, China Construction Bank, the Industrial and Commercial Bank of China, the Agricultural Bank of China and the Bank of Communications. For private sector borrowers, Ex-Im Bank will accept financial statements audited according to acceptable accounting practices with auditor's notes and statements that adequately disclose financial conditions and afford a reasonable basis for reliance on the information provided. The terms and conditions of standard export financing are governed by the OECD Arrangement on export credits.

For Ex-Im Bank direct loans, lending rates (commercial interest reference rates or CIRR) are set monthly and are based on a spread above U.S. Treasuries. The Ex-Im Bank is also open for limited-recourse, project financing in China. Such a project is one in which anticipated cash flows can cover debt service repayment to lenders and payment of dividends to shareholders, and is without government guarantees. Loans under this program will be available to companies operating investment projects that require imports from the United States. Project financing is also available from the various multilateral financial institutions as described below.

The Chinese Government and Chinese borrowers periodically receive concessional financing terms and conditions designed to support a third country's exporters. The credits can be offered under government-to-government protocols related to a particular sector or project. U.S. firms, otherwise competitive on price and quality, often lose contracts because they are unable to compete with such concessional loans. Ex-Im Bank will, under certain circumstances, consider matching the specific financing terms of a competing government offer. Tied Aid matching funds must be approved by the Board of Directors of Ex-Im Bank.

For more information concerning Ex-Im Bank programs and application procedures contact James S. Lewis, Senior Business Development Officer of Global Business Development Division, Export-Import Bank of the United States (202) 565-3716 (telephone), james.lewis@exim.gov or (202) 565-3961 (fax) Exposure fee calculations and applications can be found on-line at www.exim.gov.

U.S. Trade and Development Agency

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing- and middle-income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a fair and open trading environment.

USTDA's strategic use of foreign assistance funds to support sound investment policy and decision-making in host countries creates an enabling environment for trade, investment and sustainable economic development. Operating at the nexus of foreign policy and commerce, USTDA is uniquely positioned to work with U.S. firms and host countries in achieving the agency's trade and development goals. In carrying out its mission, USTDA gives emphasis to economic sectors that may benefit from U.S. exports of goods and services.

If a priority project exists for which you wish to consider U.S. sources of goods and services, please contact Mr. Geoff Jackson, Regional Director for Asia/Pacific, at USTDA's Arlington, VA office. Tel: (703) 875-4357, Fax: (703) 875-4009. In China, contact the USTDA Representative, Ms. Wan Xiaolei, at the U.S. Commercial Service, U.S. Embassy Beijing at Tel: (86 10) 8531-4534, Fax: (86 10) 8531-3701.

Multilateral Agencies

The World Bank, based in Washington, D.C., maintains a loan program in China. The World Bank's purpose is to help borrowers reduce poverty and improve living standards through sustainable growth and investment. China represents the World Bank's second largest commitment worldwide. The Bank's program policies in China continue to shift away from key infrastructure projects in transportation and energy toward environmental and agriculture support. The World Bank publishes bidding opportunities in the United Nations publication "Development Business," and can be viewed at: <http://www.devbusiness.com/about.asp>

The World Bank conducts procurement by the rules of international competitive bidding through Chinese tendering organizations; nonetheless, successful bidding requires close coordination with the Chinese Government entity responsible for developing a project at the consulting stage when specifications are being established. The World Bank has a local office in China. The website can be viewed at: www.worldbank.org/.

As a member of the World Bank, the International Finance Corporation (IFC) has become increasingly active in China. It is mandated to assist joint venture and share holding companies with substantial non-state ownership to raise capital in the international markets. The IFC takes equity positions in these companies. The projects have anticipated cash flows that can cover repayments to lenders and dividends to shareholders. They do not enjoy a government guarantee. The IFC can be contacted through its Washington, D.C. Headquarters at (202) 473-0631 or its Beijing office, Tel: (86 10) 5860-3000, Fax: (86 10) 5860-3100. Website: www.ifc.org.

The Asian Development Bank (ADB) is a multilateral development finance institution, based in Manila, which is dedicated to reducing poverty in the Asia and Pacific region through inclusive economic growth, environmentally sustainable growth, and regional integration. Established in 1966, it is owned by 67 members. The ADB extends loans and provides technical assistance to its developing member countries for a broad range of development projects and programs. It also promotes and facilitates investment of public and private capital for economic and social development.

Once a project is initially approved by ADB and the Chinese Government, it is included in a monthly publication called "ADB Business Opportunities" which is available by subscription from the Publications Unit, Information Office, ADB, P.O. Box 789, Manila,

Philippines, Fax: (632) 632-5122 or 632-5841. The Commerce Department has established a Multilateral Development Bank Operations Office (Fax: (202) 273-0927), which publishes information to assist companies in winning such contracts. The ADB Resident Mission in China is located in Beijing. Tel: (86 10) 6642-6601, Fax: (86 10) 6642-6606. Website: www.adb.org.

Web Resources

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Export-Import Bank of the United States: <http://www.exim.gov>

Export-Import Bank Country Limitation Schedule:
http://www.exim.gov/tools/country/country_limits.html

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccc/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

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Chapter 8: Business Travel

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Business Customs

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Business/name cards are ubiquitous in Chinese business and will almost always be exchanged upon meeting a stranger in such a context. The card should be held in both hands when offered to the other person; offering it with one hand is considered ill mannered. When receiving a card, use two hands and study it. Acknowledge it with thanks and initiate conversation, when feasible. Use an interpreter, if available, to make sure you are communicating correctly and/or understanding the other person correctly. Do not miss an opportunity to develop an appropriate new business contact, as relationships, called *guanxi* in Mandarin, remain very important in China.

Travel Advisory

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The threat level for all China posts is considered low for crime and medium for terrorism.

For the most up-to-date information related to traveling and living in China, please see the Department of State's Country Specific Information on China at http://www.travel.state.gov/travel/cis_pa_tw/cis/cis_1089.html.

China experiences a moderate rate of crime. Violent crime is less common but does occur. Violent crime affecting the expatriate community most often occurs in the bars and clubs of Beijing's nightlife districts. **To reach the police in China, dial "110," the local equivalent of 911.** Recent assaults at nightclubs and bars highlight the need to check local expatriate publications when planning outings. Pickpockets are particularly active in crowded markets and foreigners are often sought out as primary targets. Foreigners have often had bags or backpacks stolen when they set them down momentarily in a shop or put them on a chair in a restaurant; avoid keeping your passport in a bag. Thefts from taxis have also become more common and travelers are especially urged to hold purses or computer bags and to be sure drivers are not given the opportunity to leave with the traveler's luggage in the car or trunk. Petty theft from hotel rooms is uncommon but visitors are advised not to leave valuables lying loose or unattended in their rooms. Use safe deposit boxes or safes in rooms, or at the front

desk, where provided. Use caution if approached by individuals purporting to be English-language or art students, and avoid sellers of pirated or fake products. These transactions are illegal and should be avoided.

Americans arriving without valid passports and Chinese visas are not permitted to enter China and may also be subject to fines. Visitors traveling to China on a single entry visa should be reminded that trips to Hong Kong or Macau Special Administrative Regions are treated as a visit outside Mainland China. If the traveler tries to return to Mainland China after a visit to one of these two destinations but only has a single entry visa, they will be denied entry. Visitors facing this dilemma should apply for a new visa at the Chinese Ministry of Foreign Affairs or the China Travel Service in Hong Kong to re-enter China. Transit through China without a visa is permitted in some circumstances (See visa requirement information below) but to avoid problems, check your itinerary and the most recent Chinese visa regulations to be sure your trip meets the regulations. Recent travel advisories and other useful information can be found on the U.S. State Department's travel website: <http://travel.state.gov/>.

If traveling to China, remember to connect with the U.S. Embassy and Consulates through the Department of State's Smart Traveler Enrollment Program:
<https://travelregistration.state.gov/ibrs/ui/>.

Visa Requirements

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A valid passport and visa are required to enter China. A visa must be obtained from Chinese Embassies and Consulates before traveling to China. **The standard visa reciprocity is multiple entry/12 months and visitors should request a Chinese visa of that validity to avoid problems.** Americans arriving without valid passports and the appropriate Chinese visa are not permitted to enter and can be subject to a fine and immediate deportation at the traveler's expense. Travelers should not rely on Chinese host organizations claiming to be able to arrange a visa upon arrival. Chinese authorities have recently tightened their visa issuance policy, in some cases requiring personal interviews of American citizens and regularly issuing one or two entry visas valid for short periods only. In general, if you are travelling through China en route to another country, you do not need a visa, as long as you stay in China less than 24 hours and do not leave the airport. If, however, you are a transit passenger and have more than one stopover in China, you must exit the transit lounge at the first stop to apply for an endorsement in your passport that permits multiple stops in China. As long as you have a ticket that continues on to an international destination, the endorsement should be routine. Persons transiting China on the way to and from Mongolia or North Korea or who plan to re-enter from the Hong Kong or Macau Special Administrative Regions should be especially sure to obtain visas allowing multiple entries.

For information about visa requirements and other entry requirements and restricted areas, travelers should consult the Embassy of the People's Republic of China (PRC) at 2300 Connecticut Avenue N.W., Washington, D.C. 20008, or telephone (202) 328-2500, 2501 or 2502. For a list of services and frequently asked visa questions and answers, travelers can view the Chinese Embassy's website at: <http://www.china-embassy.org/eng/>

The Chinese Embassy's visa section may be reached by e-mail at chnvisa@bellatlantic.net. The service hotline is (202) 337-1956 and the fax number is

(202) 588-9760. There are Chinese Consulates General in Chicago, Houston, Los Angeles, New York, and San Francisco.

Americans traveling in Asia have been able to obtain visas to enter China from the Chinese visa office in Hong Kong and the Embassy of the People's Republic of China in Seoul, South Korea, but Americans resident in the United States should apply for a visa before leaving, if possible.

Americans who overstay or otherwise violate the terms of their Chinese visas will be subject to a RMB 500 fine per day up to a maximum of RMB 5,000. Although you can expect processing delays and receive a warning, you are not necessarily denied a new visa or have further action taken against you. In extreme cases, you could be expelled from the country and prohibited re-entry for 5 years. Travelers should note that international flights departing China are routinely overbooked. Travelers are advised to reconfirm departure reservations and check in early at the airport. **Note that if you lose your passport or become the victim of passport theft, you will not only need to obtain a new U.S. passport, but you will need to obtain a replacement visa before you will be able to depart China. This process can take as long as one week.**

In an effort to prevent international child abduction, many governments have initiated new procedures at entry/exit points. These often include requiring documentary evidence of relationship and permission for the child's travel from the parent(s) or legal guardian if they are not present. Having such documentation on hand, even if not required, may facilitate entry/departure.

U.S. companies that require travel of foreign businesspeople to the United States should be advised that, especially during the summer and during other busy travel times, there may be a significant wait time for applicants to schedule a visa interview and a small percentage of Chinese visa applicants, particularly those in scientific and technical fields, require additional processing that may take three weeks or more to complete. Chinese companies also usually require invitation letters and have internal travel approval process that may take several weeks. U.S. companies should send invitation letters to Chinese business contacts as early as possible. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/index.html>

United States Visas.gov: <http://www.unitedstatesvisas.gov/>

State Department Visa Website: http://travel.state.gov/visa/visa_1750.html

Telecommunications

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International and domestic phone calls can be made with little difficulty in China, particularly in the major cities. International and domestic calls can typically be made directly from hotel rooms and phone cards and pre-paid cellular phone chips are widely available. Phones can be rented at the airport arrival terminals for short term use.

City Codes

Cities shown are where the U.S. Government has an Embassy or Consulate. For calls made within China, add a "0" before the city code. For calls made to China, dial "86"

before the city code. When calling China from the United States, add “011” before the country code.

Beijing: 10

Chengdu: 28

Guangzhou: 20

Shanghai: 21

Shenyang: 24

Wuhan: 27

Hong Kong: 852

Telephone Operators

Local Directory Assistance (some English): 114

International Directory Assistance (some English): 115

Domestic Long Distance Operator (some English): 113, 173

Other Numbers (Emergencies)

U.S. Embassy: 011-8610-8531-4000. Within Beijing, dial 8531-4000 (American Citizen Services) and listen for the menu options. For after-hours emergencies only, dial 8531-3000, and ask the operator or the Marine Guard receiving the call to let you speak to the Duty Officer.

Additional important information, including travel advisories, can be found at the U.S. Embassy's U.S. Citizen Service's website: http://beijing.usembassy-china.org.cn/country_info.html

Emergency/Fire (Chinese): 119

Police (Chinese): 110

All visitors should be aware that they have no expectation of privacy in public or private locations. The U.S. Embassy regularly receives reports of human and technical monitoring of U.S. private businessmen and visiting American citizens. All hotel rooms and offices are considered to be subject to on-site or remote technical monitoring at all times. Hotel rooms, residences, and offices may be accessed at any time without the occupants' consent or knowledge. Elevators and public areas of housing compounds are also under continuous surveillance. All means of communication--telephones, mobile phones, faxes, e-mails, text messages, etc.--are likely monitored. The government has access to the infrastructure operated by the limited number of internet service providers (ISPs) and wireless providers. Wireless access to the Internet in major metropolitan areas is becoming more common. As such, the Chinese can more easily access official and personal computers.

Transportation

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Taxis

Metered taxis are plentiful and can be hailed along most main streets, especially near hotels and major sightseeing attractions. Taxis are a convenient and fairly inexpensive means of transport, especially if you have your destination address written in Chinese.

Transportation is easily arranged at the front door of the hotel. Concierge desks have cards with the name and address of the hotel in Chinese and can assist with giving instructions to the taxi driver. The use of unregistered or “black” taxi cabs continues to be a concern. In a limited number of cases, Americans using “black” taxi cabs have reported being sexually assaulted; have had their luggage stolen; or have been charged exorbitant fares. Avoid taking unregistered black taxis.

Beijing Taxi (some drivers speak English) 010-8456-6466
Capital Taxi (some drivers speak English) 800-610-5678/010-6406-5088

Airlines

Add “010” before the number, except 400 or 800 calls, if outside Beijing

Cathay Pacific/Dragon Air 400-888-6628/ (86 10) 6453-2566 (airport office)
Japan Airlines 400-888-0808
Korean Airlines 400-658-8888 (press “3” for English)
Malaysian Airlines (86 10) 6505-2681 (press “2” for English)/ 10-6459-0206 (airport)
Delta/Northwest 400-814-0081 (press “3” English)
Qantas 800-819-0089 (press “1” for English)/ (86 10) 6567-9006 (press “101” for English)
Singapore Airlines (86 10) 6505-2233 (press “2” for English)
Thai Airways (86 10) 8515-0088 (press “0” for English)
United 800-810-8282 (press “1” for English)
Vietnam Airlines (86 10) 8454-1196

Be sure to confirm which airport/terminal your departure flight will use in Beijing (Terminal 2 or Terminal 3) or in Shanghai (Hongqiao or Pudong) as they are miles apart.

Language

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Mandarin Chinese is the national language, spoken by over 70% of Chinese. Other than Mandarin there are six major Chinese dialects, as well as numerous local dialects. *Pinyin* refers to the standardized Romanization system used to represent the pronunciation of Chinese characters; it is used throughout China on signs. Simplified Chinese characters are written the same across Mainland China despite being pronounced differently in each dialect. However, most areas outside the Mainland, including Hong Kong, Macau, Taiwan and Southeast Asia, use traditional characters. For business purposes it is important to provide contacts with bilingual business cards, usually with Chinese characters on one side, English on the other. Titles and company names should be translated with care into Chinese to ensure a positive meaning.

Health

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Western-style medical facilities with international staffs are available in Beijing, Shanghai, Guangzhou and a few other large cities. Many other hospitals in major Chinese cities have so-called VIP wards (*gaogan bingfang*). These feature reasonably up-to-date medical technology and physicians who are both knowledgeable and skilled. Most VIP wards also provide medical services to foreigners and have English-speaking doctors and nurses. Most hospitals in China will not accept medical insurance from the United States, with the exception of the following hospitals, which are on the [BlueCross](#)

[BlueShield's worldwide network providers - overseas network hospitals' list \(http://www.fepblue.org/wasite/wabenefits/wa-benefitsoverseas04.html\)](http://www.fepblue.org/wasite/wabenefits/wa-benefitsoverseas04.html): Beijing United Family Hospital, Beijing Friendship Hospital, International Medical Center in Beijing, and Peking Union Medical Center. Travelers will be asked to post a deposit prior to admission to cover the expected cost of treatment. Hospitals in major cities may accept credit cards for payment. Even in the VIP/Foreigner wards of major hospitals, however, American patients have frequently encountered difficulty due to language, cultural, and regulatory differences. Physicians and hospitals have sometimes refused to supply American patients with complete copies of their Chinese hospital medical records, including laboratory test results, scans, and x-rays. All Americans traveling to China are strongly encouraged to buy foreign medical care and medical evacuation insurance prior to arrival. Travelers who want a list of medical facilities in China that will treat foreigners can access that information at the [Embassy's website](#). Information for consular districts can be accessed by clicking "locations" in the upper right-hand corner of this site.

Ambulances do not carry sophisticated medical equipment, and ambulance personnel generally have little or no medical training. Therefore, injured or seriously ill Americans may be required to take taxis or other immediately available vehicles to the nearest major hospital rather than waiting for ambulances to arrive. In rural areas, only rudimentary medical facilities are generally available. Rural clinics are often reluctant to accept responsibility for treating foreigners, even in emergency situations.

Medical Insurance

The Department of State strongly urges Americans to consult with their medical insurance company prior to traveling abroad to confirm whether their policy applies overseas and if it will cover emergency expenses such as a medical evacuation. U.S. medical insurance plans seldom cover health costs incurred outside the United States unless on a reimbursable basis or if supplemental coverage is purchased. Furthermore, U.S. Medicare and Medicaid programs do not provide payment for any medical services outside the United States. However, many travel agents and private companies offer insurance plans that will cover health care expenses incurred overseas, including emergency services such as medical evacuations.

When making a decision regarding health insurance, Americans should consider that many foreign doctors and hospitals require payment in cash prior to providing service and that a medical evacuation to the U.S., or even to Hong Kong, may cost well in excess of \$100,000. Uninsured travelers who require medical care overseas often face extreme difficulties. When consulting with your insurer prior to your trip, ascertain whether payment will be made to the overseas healthcare provider or if you will be reimbursed later for expenses you incur. Some insurance policies also include coverage for psychiatric treatment and for disposition of remains in the event of death.

SOS International, Ltd., Medex Assistance Corporation, and Heathrow Air Ambulance offer medical insurance policies designed for travelers.

SOS International, Ltd.
Beijing International SOS Clinic
Suite 105, Wing 1, Kunsha Building
No 16 Xinyuanli, Chaoyang District
Beijing 100027, China

Tel (86 10) 6462-9112

Fax (86 10) 6462-9188

Website: http://www.internationalsos.com/en/asia-pacific_china.htm

MEDEX Assistance Corporation 871 Poly Plaza Beijing 100027

Toll Free Number from China to the United States: 10811-800-527-0218

Email: info@medexassist.com (Baltimore, Maryland)

U.S. telephone: 1-800-537-2029 or 1-410-453-6300 (24 hours)

Emergencies (members only): 1-800-527-0218 or 1-410-453-6330

Website: <http://www.medexassist.com/>

Medex members calling with a medical emergency should call Medex-Emergency in China at telephone (86-10) 6595-8510.

Heathrow Air Ambulance

Heathrow is an air evacuation service with offices in the United States and England.

Travelers can pre-arrange air evacuation insurance and other emergency travel assistance. This service also has a business plan to assist foreigners who lack travel insurance.

Heathrow Air Ambulance Service, 15554 FM, Suite 195 Houston, TX. 77095-2704.

Office telephone: 1-800-513-5192. Office fax: 1-832-934-2395.

E-mail: info@heathrowairambulance.com

Useful information on medical emergencies abroad, including overseas insurance programs, is provided in the Department of State's Bureau of Consular Affairs brochure, *Medical Information for Americans Traveling Abroad*, available via http://travel.state.gov/travel/tips/tips_1232.html#health.

Other Health Information

Air pollution is also a significant problem throughout China. Travelers should consult their doctor prior to travel and consider the impact seasonal smog and heavy particulate pollution may have on them.

Reuse or poor sterilization practices are problems in China, contributing to transmission of diseases such as hepatitis, which is endemic in China. In order to protect themselves from blood and other tissue borne disease such as hepatitis and HIV, travelers should always ask doctors and dentists to use sterilized equipment and be prepared to pay for new syringe needles in hospitals or clinics. Tuberculosis is endemic in China.

Most roads and towns in Tibet, Qinghai, parts of Xinjiang, and western Sichuan are situated at altitudes over 10,000 feet. Travelers in these areas should seek medical advice in advance of travel, allow time for acclimatization to the high altitude, and remain alert to signs of altitude sickness.

Travelers are advised to consult the CDC's traveler's health website at:

<http://www.cdc.gov/travel/eastasia.htm> prior to departing for China.

Local Time, Business Hours, and Holidays

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Time throughout China is set to Beijing time, which is eight hours ahead of GMT/UTC. When it's noon in Beijing it's also noon in far-off Lhasa, Urumqi, and all other parts of the

country. However, western China does follow a later work schedule to coincide with daylight hours.

Business Hours

China officially has a five-day work week although some businesses stretch to six days. Offices and government departments are normally open Monday to Friday between 8:30 AM and 5PM, with some closing for one or two hours in the middle of the day.

2013 Holiday Schedule

The Embassy is open from 8:00 a.m. to 5:00 p.m. Monday through Friday. We are closed on the following American and Chinese holidays:

***	January 1	Tuesday	New Year's Day
*	January 21	Monday	Martin Luther King, Jr.'s Birthday
**	February 9-13	Sat-Wed	Chinese (Lunar) New Year
*	February 18	Monday	Presidents' Day
**	April 4	Thursday	Tomb Sweeping Day
**	May 1	Wednesday	International Labor Day
*	May 27	Monday	Memorial Day
**	June 12	Wednesday	Dragon Boat Festival
*	July 4	Thursday	Independence Day
*	September 2	Monday	Labor Day
**	September 19	Thursday	Mid-Autumn Festival
**	October 1-3	Tue-Thu	Chinese National Day
*	October 14	Monday	Columbus Day
*	November 11	Monday	Veterans Day
*	November 28	Thursday	Thanksgiving Day
*	December 25	Wednesday	Christmas Day
*	Americans Holidays		
**	Chinese Holidays		
***	Chinese and American Holidays		

Please note that this schedule is subject to change if the PRC government makes any adjustments to 2013 legally-recognized Chinese holidays.

Temporary Entry of Materials and Personal Belongings

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Although travelers will notice that China Customs officials at the airports do not routinely inspect baggage upon arrival, random searches are possible. China allows an individual to import 400 cigarettes (600, if you are staying more than six months), two bottles of wine or spirits (verify current allowable quantity at the duty free shop *before you purchase*), and a reasonable amount of perfume. Cash amounts exceeding \$6,000 (or equivalent in other foreign currency) should be declared. The distribution of counterfeit Chinese currency continues to plague official and private Americans. Unsuspecting Americans are passed fraudulent notes at restaurants, stores, and

taxi cabs. Large numbers of 100 RMB and 50 RMB counterfeit notes continue to circulate, while even fake 20 RMB and 10 RMB (roughly 3 and 2 dollars respectively) denominations have been introduced in Beijing and other parts of the country.

Chinese law prohibits the import of cold cuts and fresh fruit. There are limits on other items, such as herbal medicine that can be taken out of the country. Rare animals and plants cannot be exported. Cultural relics, handicrafts, gold and silver ornaments, and jewelry purchased in China have to be shown to customs upon leaving China. If these items are deemed to be “cultural treasures” they will be confiscated. All bags are X-rayed.

It is illegal to import any printed material, film, and tapes, etc. that are “detrimental to China’s political, economic, cultural, or ethical interests. As with tapes, books or DVDs that “contain state secrets or are otherwise prohibited for export” can be seized on departing China.

Web Resources

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U.S. Embassy Beijing: <http://beijing.usembassy-china.org.cn>
U.S. Commercial Service, China: <http://www.export.gov/china/>
China Council for the Promotion of International Trade (CCPIT): www.ccpit.org
National Development and Reform Commission (NDRC) <http://en.ndrc.gov.cn/> (English)
Chinese Ministry of Commerce: <http://english.mofcom.gov.cn/>
American Chamber of Commerce China (Amcham): <http://www.amchamchina.org>
U.S.-China Business Council: <http://www.uschina.org>
Chinese Government: <http://english.gov.cn>

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Chapter 9: Contacts, Market Research and Trade Events

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- [Trade Events](#)

Contacts

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A. State Commissions

National Development and Reform Commission (NDRC)

38 S. Yuetannanjie, Xicheng District, Beijing 100824, China

Chairman: Xu Shaoshi

Main Line: (86 10) 6850-2000

International Affairs: (86 10) 6850-1343

Fax: (86 10) 6850-2117

Website: <http://en.ndrc.gov.cn>

B. Chinese Ministries

Ministry of Agriculture

11 Nongzhanguan Nanli, Chaoyang District, Beijing 100125, China

Minister: Han Changfu

Main Line: (86 10) 5919-1428/1492

Mr. Xu Yubo, U.S.-China Cooperation: (86 10) 5919-3327; Prior referral needed via U.S.

Embassy if requesting a meeting

Fax: (86 10) 5919-1428

Website: <http://english.agri.gov.cn>

Ministry of Transport

11 Jianguomennei Dajie, Dongcheng District, Beijing 100736, China

Minister: Li Shenglin

Main Line: (86 10) 6529-2327

International Affairs: (86 10) 6529-2206/2208

Fax: (86 10) 6529-2345

Website: www.moc.gov.cn (no English page)

Public Holiday Contacts:

jtbweb@moc.gov.cn

1371-779-3170

Ministry of Housing and Urban-Rural Development

9 Sanlihe Lu, Haidian District, Beijing 100835, China

Minister: Jiang Weixin

Main Line: (86 10) 5893-4114

Technical matters: (86 10) 5893-3575

International Affairs: (86 10) 5893-4049

Fax: (86 10) 6831-2524

Website: <http://www.mohurd.gov.cn/> (no English page)

Ministry of Culture

10 Chaoyangmen Beijie, Dongcheng District, Beijing 100020, China

Minister: Cai Wu

Main Line: (86 10) 5988-1114

International Affairs: (86 10) 5988-2005/2004

Fax: (86 10) 5988-1986/2005

Website: <http://www.ccnt.gov.cn/English/index.html>

Ministry of Education

37 Damucang Hutong, Xidan, Xicheng District, Beijing 100816, China

Minister: Yuan Guiren

Main Line: (86 10) 6609-6114

International Affairs: (86 10) 6609-6275

Fax: (86 10) 6601-3647

Website: http://www.moe.gov.cn/publicfiles/business/htmlfiles/moe/moe_2792/index.html

Ministry of Finance

3 Nansanxiang, Sanlihe, Xicheng District, Beijing 100820, China

Minister: Lou Jiwei

Main Line: (86 10) 6855-1781/6855-1782

International Affairs: (86 10) 6855-1175

Fax: (86 10) 6855-1125

Website: www.mof.gov.cn (no English page)

Ministry of Foreign Affairs

2 Chaoyangmen Nandajie, Chaoyang District, Beijing 100701, China

Minister: Yang Jiechi

Main Line: (86 10) 6596-1114

International Affairs: (86 10) 6596-3100

Fax: (86 10) 6596-1808

Website: www.fmprc.gov.cn/eng/default.htm

Ministry of Commerce

2 Dongchang'an Avenue, Beijing 100731, China

Minister: Gao Hucheng

Main Line: (86 10) 5165-1200, ext. 612/613/623

International Affairs: (86 10) 6519-8830

Fax: (86 10) 6567-7512

Website: <http://english.mofcom.gov.cn/>

Ministry of Environmental Protection (MEP)

115 Xizhimennei Nanxiaojie, Beijing 100035, China

Minister: Zhou Shengxian

Main Line: (86 10) 6655-6006

International Affairs: (86 10) 6655-6495/6496

Fax: (86 10) 6655-6010

Website: <http://english.mep.gov.cn>

Ministry of Health (MOH)

1 Xizhimenwai Nanlu, Xicheng District, Beijing 100044, China

Minister: Li Bin

Main Line: (86 10) 6879-2114

International Affairs: (86 10) 6879-2297

Fax: (86 10) 6879-2295

Website: www.moh.gov.cn (no English page)

Ministry of Industry and Information Technology (MIIT)

13 Xichang'anjie, Beijing 100804, China

Minister: Miao Wei

Main Line: (86 10) 6601-4249

International Affairs: (86 10) 6601-1365

Fax: (86 10) 6601-1370

Website: www.miit.gov.cn

Ministry of Justice

10 Chaoyangmen Nandajie, Chaoyang District, Beijing 100020, China

No.16, Xibianmen Xilijia, Xuanwu District, Beijing 100053, China

Minister: Wu Aiyong

Main Line: (86 10) 6520-5114

International Affairs: (86 10) 6520-6239

Fax: (86 10) 6520-5866

Website: <http://english.moj.gov.cn/>

Ministry of Human Resources and Social Security (MOHRSS)

12 Hepingli Zhongjie, Dongcheng District, Beijing 100716, China

Minister: Yin Weimin

Main Line: (86 10) 8420-1114

International Affairs: (86 10) 8423-3379

Fax: (86 10) 8423-3320

Website: www.mohrss.gov.cn (no English page)

Ministry of Land and Resources

No.64 Fu Nei Street, Xicheng District, Beijing 100812, China

Minister: Jiang Daming

Tel: (86 10) 6655-8407/8408/8420

Fax: (86 10) 6612-7247

Website: www.mlr.gov.cn/mlrenglish/

Ministry of Public Security

14 Dongchang'anjie, Beijing 100741, China

Minister: Guo Shengkun

Main Line: (86 10) 6626-2114

International Affairs: (86 10) 6626-3279

Fax: (86 10) 6626-1596

Website: www.mps.gov.cn (no English page)

Ministry of Railways

10 Fuxing Lu, Haidian District, Beijing 100844, China

Minister: Sheng Guangzu
Main Line: (86 10) 5184-0114
International Affairs: (86 10) 5184-1855
Website: www.china-mor.gov.cn (no English page)

Ministry of Science and Technology

15B, Fuxinglu, Haidian District, Beijing 100862, China
Minister: Wan Gang
Main Line: (86 10) 5888-1800
International Affairs: (86 10) 5888-1300/1301
Fax: (86 10) 5888-2556
Website: www.most.gov.cn/eng/index.htm

Ministry of Water Resources

2 Baiguanglu Ertiao, Xuanwu District, Beijing 100053, China
Minister: Chen Lei
Main Line: (86 10) 6320-2114
International Affairs: (86 10) 6320-2825
General Office (86 10) 6320-2699
Fax: (86 10) 6320-2822
Website: www.mwr.gov.cn/english/

C. Bureaus and Administrations Directly Under the State Council

Government Offices Administration of the State Council

22 Xi'anmen Dajie, Beijing 100017, China
Director: Jiao Huancheng
Tel: (86 10) 8308-6195
Fax: (86 10) 8308-6195
Website: www.ggj.gov.cn (no English page)

Civil Aviation Administration of China

155 Dongsidajie, Beijing 100710, China
Minister: Li Jiaxiang
Main Line: (86 10) 6409-1114
International Affairs: (86 10) 6409-1295
Fax: (86 10) 6401-6918
Website: www.caac.gov.cn (no English page)

General Administration of Customs

6 Jianguomennei Dajie, Beijing 100730, China
Minister: Yu Guangzhou
Main Line: (86 10) 6519-4114
International Affairs: (86 10) 6519-5980
Fax: (86 10) 6519-4354
Website: <http://english.customs.gov.cn/publish/portal191/>

China National Tourism Administration

9A Jianguomennei Dajie, Beijing 100740, China
Chairman: Shao Qiwei
Main Line: (86 10) 6520-1114

Marketing and International Cooperation Department: (86 10) 6520-1810
Fax: (86 10) 6513-7871
Website: <http://en.cnta.gov.cn/>

State Administration for Industry and Commerce

8 Sanlihe Donglu, Xicheng District, Beijing 100820, China
Director: Zhang Mao
Main Line: (86 10) 6801-0463/6801-3447
International Affairs: (86 10) 6803-1508
Fax: (86 10) 6801-0463/6802-3447
Website: <http://www.saic.gov.cn/english/index.html>

The State Administration for Religious Affairs

No.44, Hou Hai Bei Yan, Xi Cheng District, Beijing 100009, China
Director: Wang Zuoan
Tel: (86 10) 6409-5114
Fax: (86 10) 6409-5000
Website: www.sara.gov.cn (no English page)

The State Administration of Radio, Film, and Television

2 Fuxingmenwai Dajie, Beijing 100866, China
Director: Cai Puzhao
Main Line: (86 10) 8609-3114
International Affairs: (86 10) 8609-2141
Fax: (86 10) 6801-0174
Website: www.sarft.gov.cn (no English page)

General Administration for Quality Supervision, Inspection and Quarantine

No.9 Ma Dian Road East, Haidian District, Beijing 100088, China
Director: Zhi Shuping
Main Line: (86 10) 8226-0114
International Affairs: (86 10) 8226-1693/1955
Fax: (86 10) 8226-0552
Website: <http://english.aqsiq.gov.cn/>

State Administration of Taxation

5 Yangfangdian Xilu, Haidian District, Beijing 100038, China
Commissioner: Xiao Jie
Main Line: (86 10) 6341-7114
International Affairs: (86 10) 6341-7901
Fax: (86 10) 6341-7870
Website: <http://202.108.90.130/n6669073/index.html>

The State Food and Drug Administration (SFDA), the Ministry of Health - MOH

26 Xuanwumen Xidajie, Beijing 100053, China
Commissioner: Zhang Yong
Main Line: (86 10) 6831-3344
International Affairs: (86 10) 8833-0813
Fax: (86 10) 6831-0909
Website: <http://www.sfda.gov.cn>

State Forestry Administration

18 Hepingli Dongjie, Beijing 100714, China

Director: Zaho Shuzong

Main Line: (86 10) 8423-9676/9000

International Affairs: (86 10) 8423-8720

Fax: (86 10) 6421-9149

Website: www.forestry.gov.cn

State Intellectual Property Office

6 Xituchenglu, Jimenqiao, Haidian District, Beijing 100088, China

Director: Tian Lipu

Main Line: (86 10) 6208-3114

International Affairs: (86 10) 6208-5588/5599

Fax: (86 10) 6201-9615

Website: <http://english.sipo.gov.cn/>

National Copyright Administration

40# Xuanwumenwai Dajie, Xuanwu District, Beijing 100052, China

Director: Sun Shoushan

Main Line: (86 10) 8313-8000

International Affairs: (86 10) 8313-8736 / 8313-8735

Fax: (86 10) 6528-0038

Website: <http://www.ncac.gov.cn/>

General Administration of Sport

2 Tiyyuguanlu, Chongwen District, Beijing 100763, China

Minister: Liu Peng

Main Line: (86-10) 8718-2008

International Affairs: (86-10) 8718-2732

Fax: (86 10) 6711-5858

Website: www.sport.gov.cn

National Bureau of Statistics

75 Yuetannanjie, Xi Cheng District, Beijing 100826, China

Director: Ma Jiantang

Main Line: (86 10) 6852-0066

International Affairs: (86 10) 6857-6355

Fax: (86 10) 6857-6320

Website: <http://www.stats.gov.cn>

National Energy Administration (NEA)

38 Yuetannanjie, Xicheng District, Beijing 100824, China

Administrator: Wu XinXiong

Tel: (86 10) 6850-5670

Fax: (86 10) 6850-5673

Website: <http://www.nea.gov.cn/>

D. Offices under the State Council

The Central People's Government

Zhongnanhai, Beijing 100017, China

Premier: Li Keqiang

Tel: (86 10) 8805-0813

Fax: (86 10) 6307-0900

Website: www.gov.cn

Hong Kong and Macau Affairs Office of the State Council

77 Yuetannanjie, Beijing 100045, China

Director: Wang Guangya

Tel: (86 10) 6857-9977

Fax: (86 10) 6857-6639

Website: www.hmo.gov.cn

State Council Information Office of the PRC

6 Lianhuachi East Road, Huatian Building. 26/F, Beijing, China

Director: Wang Chen

Tel: (86 10) 5888-0320

Website: www.scio.gov.cn

Legislative Affairs Office

33 Ping'anli Xidajie, Xicheng Dist., Beijing 100035, China

Director: Cao Kangtai

Tel: (86 10) 6309-7599

Website: www.chinalaw.gov.cn/article/english

Office of Overseas Chinese Affairs office of the State Council

35 Fuwaidajie, Beijing 100037, China

Director: Li Haifeng

Tel: (86 10) 6832-7530

Fax: (86 10) 6832-7538

Website: www.gqb.gov.cn

State Council Research Office

Zhongnanhai, Beijing 100017, China

Director: Xie Fuzhan

Tel: (86 10) 6309-7785

Fax: (86 10) 6309-7803

Taiwan Affairs Office

No.6-1 Guang'an Men South Avenue, Xuanwu District, Beijing 100053, China

Director: Zhang Zhijun

Tel: (86 10) 6857-1900

Fax: (86 10) 6832-8321

Website: www.gwytb.gov.cn

E. Institutions**China Meteorological Administration**

46 Zhong Guan Cun South Street, Haidian District, Beijing 100081, China

Director: Zheng Guoguang

Tel: (86 10) 6840-9797
Website: www.cma.gov.cn

China Securities Regulatory Commission

19 Jinrong Avenue, Xicheng District, Beijing 100033, China
Chairman: Guo Shuqing
Tel: (86 10) 8806-1000
Fax: 86-10-6621-0205
Website: www.csrc.gov.cn

Chinese Academy of Engineering

No.2 Bingjiaokou Hutong, Beijing 100088, China
President: Zhou Ji
Tel: (86 10) 5930-0000
Fax: (86 10) 5930-0001
Website: www.cae.cn/en/

Chinese Academy of Sciences

52 Sanlihe Road, Xicheng District, Beijing 100864, China
President: Bai Chunli
Tel: (86 10) 6859-7114
Website: www.cas.ac.cn (no English page)

Chinese Academy of Social Sciences

5 Jiannei Dajie, Beijing 100732, China
President: Chen Kui Yuan
Tel: (86 10) 8519-5999
Website: www.cass.net.cn (no English page)

Development Research Center of the State Council

225 Chaoyangmennei Avenue, Dongcheng District, Beijing 100010, China
Minister: Li Wei
Tel: (86 10) 6523-6066
Fax: (86 10) 6523-6060
Website: www.drc.gov.cn/english/

Chinese Academy of Governance

6 Changchunqiaolu, Haidian District, Beijing 100089, China
President: Ma Kai
Tel: (86 10) 6892-9260
Website: www.nsa.gov.cn

China Earthquake Administration

63 Fuxing Lu, Haidian District, Beijing 100036, China
Director: Chen Jianmin
Tel: (86 10) 6821-9525
Website: www.cea.gov.cn (no English page)

F. Bureaus Supervised by Commissions and Ministries

State Administration of Foreign Exchange

Huarong Plaza, 18 Fuchenglou, Haidian District, Beijing 100048, China
Director: Yi Gang
Tel: (86 10) 6840-2265
Website: <http://www.safe.gov.cn/>

State Administration of Traditional Chinese Medicine

1 Gongti West Road, Chaoyang District, Beijing 100026, China
Commissioner: Mr. Wang Guoqiang
Tel: (86 10) 5995-7666
Website: www.satcm.gov.cn/ (no English page)

State Administration of Cultural Heritage

10 Chao Yang Men Bei Da Jie, Dongcheng District, Beijing 100020, China
Director: Li Xiaojie
Tel: (86 10) 5679-2211
Fax: (86 10) 5988-1573
Website: <http://www.sach.gov.cn/>

State Administration of Foreign Experts Affairs

Room 50307, No.1 ZhongGuanCun South Street, Haidian District, Beijing 100873, China
Director: Zhang Jianguo
Tel: (86 10) 6894-8899
Fax: (86 10) 6894-0923
Website: <http://www.safea.gov.cn/english/>

State Bureau of Surveying & Mapping

28 Lianhuachi West Road, Beijing 100830, China
Director: Mr. Xu Deming
Tel: (86 10) 6388-2221
Fax: (86 10) 6388-2221
Website: www.sbsm.gov.cn

State Administration of Grain

A11, Guohong Building (C), Muxudi Beili, Xincheng District, Beijing 100038, China
Director: Nie Zhengbang
Tel: (86 10) 6390-6078
Website: <http://www.chinagrains.gov.cn/english/index.html>

China National Light Industry Council

22 Fuchengmen Waidajie 2nd St., Haidian District, Beijing 100833, China
Chairman: Bu Zhengfa
Tel: (86 10) 6839-6800
Website: <http://www.clii.com.cn/news/CNLIC/index.aspx>

China Iron and Steel Association

46 Dongsi Xidajie, Dongcheng District, Beijing 100711, China
Chairman: Xie Qihua
Tel: (86 10) 6513-3322
Website: <http://www.chinaisa.org.cn/index.php?styleid=2>

State Oceanic Administration

1 Fuxingmenwai Dajie, Beijing 100860, China
Director: Liu Cigui
Tel: (86 10) 6803-2211
Website: <http://www.soa.gov.cn/index.html>

China Petroleum and Chemical Industry Association
Building 16, 4th District, Anhuili, Yayuncun, Beijing 100723, China
Director: Li Yongwu
Tel: (86 10) 8488-5415
Fax: (86 10) 8488-5391
Website: www.cpcia.org.cn/English.htm

State Postal Bureau
A8 Bei Lishilu, Xicheng District, Beijing 100868, China
Director: Ma Junsheng
Tel: (86 10) 8832-3021/3022
Fax: (86 10) 8832-3014
Website: www.chinapost.gov.cn/folder12/2008/10/2008-10-3117985.html

China National Textile and Apparel Council
Rm 207, Tower B, Huaye International Center, 39 Dongsihuan Zhonglu, Beijing 100025, China
President: Xia Lingmin
Tel: (86 10) 8587-2528
Fax: (86 10) 8587-2555
Website: <http://english.ctei.gov.cn/>

State Tobacco Monopoly Bureau
55 Yuetan South Street, Xicheng District, Beijing 100045, China
Chief Commissioner: Jiang Chen Kang
Tel: (86 10) 6360-5000, 5852/5782
Fax: (86 10) 6360-5793
Website: www.tobacco.gov.cn

G. Associations & Corporations

All-China Federation of Industry and Commerce
70 Deshengmen Xidajie, Beijing 100035, China
Chairman: Huang Meng Fu
Tel: (86 10) 5805-0500
Website: www.acfic.org.cn

China Council for the Promotion of International Trade (CCPIT)
1 Fuxingmenwai Street, Beijing 100860, China
Chairman: Wan Ji Fei
Tel: (86 10) 8807-5000
Fax: (86 10) 6803-0747
Website: www.ccpit.org
(en) <http://english.ccpit.org/>

China Huaneng Group

4 Fuxingmennei St., Xicheng Dist., Beijing 100031, China
President: Cao Peixi
Tel: (86 10) 6322-8800
Fax: (86 10) 6322-8866
Website: www.chng.com.cn
(en) <http://www.chng.com.cn/eng/>

China Nonferrous Metals Industry Association

Rm 1106, 11/F. 62 Xizhimen Beidajie, Haidian District, Beijing 100082, China
President: Kang Yi
Tel: (86 10) 8229-8684
Fax: (86 10) 8229-8548
www.cmra.cn/en

People's Insurance Company of China

#69 Xuan Wu Men Dong He Yan Jie, Beijing 100052, China
President: Wang Yincheng
Tel: (86 10) 8315-7607
Fax: (86 10) 8315-7607
Website: www.piccnet.com.cn
(en) <http://www.piccnet.com.cn/english/ggtheng/index.shtml>

H. Corporations

China International Trust and Investment Corporation

Capital Mansion, 6 Xinyuan Nanlu, Chaoyangqu, Beijing 100004, China
President: Tian Guoli
Tel: (86 10) 6466-0088
Website: www.citic.com
(en) <http://www.citic.com/wps/portal/encitic>

China National Offshore Oil Corp.

No.25 Chaoyangmen Beidajie, Beijing 100010, China
President: Yang Hua
Tel: (86 10) 8452-1010
Fax: (86 10) 6460-2600
Website: www.cnooc.com.cn
(en) <http://en.cnooc.com.cn/>
cnooc@cnooc.com.cn

China National Petroleum Corp.

9 Dongzhimen Beidajie, Dongcheng District, Beijing 100007, China
President: Zhou Jiping
Tel: (86 10) 6209-4114
Fax: (86 10) 6209-4205
Website: <http://www.cnpc.com.cn/en/>

China National Tobacco Corporation (see State Tobacco Monopoly Bureau)

55 Yuetan South Street, Xicheng District, Beijing 100045, China
President: Zhang Yuxia

Tel: (86 10) 6360-6303
Fax: (86 10) 6360-5793

China North Industries Corp.

12Am Guang An Men Nan Jie , Beijing 100053, China

President: Mr. Zhao Gang

Tel: (86 10) 6352-9988

Fax: (86 10) 6354-0398

Website: www.norinco.com.cn

(en) <http://www.norinco.com.cn/c1024/english/index.html>

China Petro-Chemical Corporation

22 Chaoyangmen North Street, Chaoyang District, Beijing 100728, China

President: Wang Tianpu

Tel: (86 10) 5996-0114

Fax: (86 10) 5976-0111

Website: www.sinopec.com.cn and (en) <http://english.sinopec.com/>

China State Construction Engineering Corporation

15 Sanlihe Rd., Xicheng District, Beijing 100037, China

President: Yi Jun

Tel: (86 10) 8808-2888

Fax: (86 10) 8808-2958

Website: www.cscec.com.cn and (en) <http://www.cscec.com.cn/english>

China State Shipbuilding Corporation

No. 72 Kunminghu Nanlu, Haidian District, Beijing 100097, China

President: Li Changyin

Tel: (86 10) 8859-8000

Fax: (86 10) 8859-9000

Website: www.csic.com.cn and (en) <http://www.csic.com.cn/en/default.htm>

Everbright Industrial Corporation

25 Taipingqiao St., Beijing 100045, China

President: Tang Shuangning

Tel: (86 10) 6363-6363

Fax: (86 10) 6363-9963

Website: www.ebchina.com (no English page)

I. American Chambers of Commerce/Trade Associations

Association for Manufacturing Technology

Rm. 2507 Silver Tower

2 Dongsanhuan North Road

Chaoyang District

Beijing 100027, China

Chief Representative: Li Xingbin

Email: lixingbin@amtchina.org

Tel: (86 10) 6410-7374/7375

Fax: (86 10) 6410-7334

Website: www.amtchina.org/

American Chamber of Commerce China

Chairman: Gregory Gilligan
The Office Park, Tower AB, 6th Floor
No. 10 Jintongxi Road, Chaoyang District
Beijing 100020, China
Tel: (86 10) 8519-0800
Fax: (86 10) 8519-0899
Website: www.amchamchina.org

American Soybean Association

Suite 1016, China World Tower 1
Beijing 100004, China
Tel: (86 10) 6505-1830
Fax: (86 10) 6505-2201
Website: www.asaimchina.org

American Equipment Manufacturers (AEM)

Suite 501, China Resources Building
8 Jianguomenbei Avenue
Beijing 100005, China
Tel: (86 10) 8519-1566
Fax: (86 10) 8519-1567
Website: <http://www.aem.org/Global/IntlServices/China/>

Council of American States in China (CASIC)

Shanghai Center, Suite 631
1376 Nanjing West Road
Shanghai 200040, China
Tel: (86 21) 5054-0116
Fax: (86 21) 5054-0117
Email: info@casic.us
Website: www.casic.us

Packaging Machinery Manufacturers' Institute (PMMI)

Suite 13G, No. 888 WanHangDu Rd.
Shanghai 200042, China
Tel: (86 21) 6252-9985
Fax: (86 21) 6252-7320
Email: jbian@pmmi.org
Website: www.pmmi.org; www.pmmichina.org

U.S.-China Business Council

CITIC Building, Room 10-01
19 Jianguomen Waidajie
Beijing 100004, China
Tel: (86 10) 6592-0727
Fax: (86 10) 6512-5854
Website: www.uschina.org

U.S. Grains Council

China World Tower 1, Room 1010C
1 Jianguomen Waidajie, Beijing 100004, China
Tel: (86 10) 6505-1314, 6505-2320
Fax: (86 10) 6505-0236
Website: www.grains.org.cn

U.S. Wheat Associates

World Tower 1, Room 1009
Beijing 100004, China
Tel: (86 10) 6505-1278, 6505-3866
Fax: (86 10) 6505-5138
Website: www.uswheat.org

United States Information Technology Office (USITO)

Ian Steff, Chairman
Suite 1104, 11th Floor, Sun Palace Building
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Chaoyang District, Beijing 100028 PRC
Tel: (86 10) 6530-9368
Fax: (86 10) 6530-9367
Website: <http://www.usito.org/>

J. U.S. Embassy Contacts

U.S. Embassy Beijing

No.55 Anjialou Road, Chaoyang District
Beijing, China 100600
Tel: (86 10) 8531-3000
Website: <http://beijing.usembassy-china.org.cn/>

Mailing Address from the United States:

U.S. Embassy Beijing
Department of State
Washington, D.C. 20521-7300

Ambassador's Office

Gary F. Locke, Ambassador
Tel: (86 10) 8531-3000
Fax: (86 10) 8531-3188

Economic Section

Tel: (86 10) 8531-3000
Fax: (86 10) 8531-4949

U.S. Commercial Service

Tel: (86 10) 8531-3557
Fax: (86 10) 8531-3949

Environment, Science, Technology & Health (ESTH)

Tel: (86 10) 8531-3940

Fax: (86 10) 8531-3939

Department of Energy, China office

Executive Director:

Tel: (86 10) 6532-0881

Fax: (86 10) 6532-0882

Foreign Agricultural Service

Agricultural Affairs Office

Tel: (86 10) 8531-3600

Fax: (86 10) 8531-3636

Beijing Agricultural Trade Office

Tel: (86 10) 8531-3022

Fax: (86 10) 8531-3050

Chengdu Agricultural Trade Office

Tel: (86 28) 8526-8668

Fax: (86 28) 8526-8118

Guangzhou Agricultural Trade Office

Tel: (86 20) 8667-7553

Fax: (86 20) 8666-0703

Shanghai Agricultural Trade Office

Tel: (86 21) 6279-8622

Fax: (86 21) 6279-8336

Animal and Plant Health Inspection Service

Tel: (86 10) 8531-4524

Fax: (86 10) 8531-3033

American Consulate General Chengdu

No. 4 Lingshiguan Road

Chengdu 610041, China

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Fax: (86 28) 8556-5356

American Consulate General Guangzhou

No. 1 South Shamian Street,

Guangzhou 510133, China

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Fax: (86 20) 8121-6296

American Consulate General, Shanghai

1469 Huaihai Zhong Lu, Shanghai 200031, China

Tel: (86 21) 6433-6880

Fax: (86 21) 6433-4122

**American Consulate General
Shenyang**

No. 52, 14th Wei Road, Heping District
Shenyang 110003, China
Tel: (86 24) 2322-1198
Fax: (86 24) 2322-2374

American Consulate General Wuhan

New World International Trade Tower I
No. 568, Jianshe Avenue
Hankou, Wuhan 430022
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Fax : (86-27) 8555-7761

K. Washington-based USG China Contacts

**U.S. Department of Commerce
International Trade
Administration Office of China
Economic Area Room 1229**

14th & Constitution Avenue
Washington, D.C. 20230
Tel: (202) 482-3583
Fax: (202) 482-1576

**The China Business Information Center
(CBIC) U.S. Department of Commerce**

Tel: 800-USA-TRADE
Website: <http://www.export.gov/china>

Multilateral Development Bank Office

Tel: (202) 482-3399
Fax: (202) 482-5179

**U.S. Department of State
Office of China and Mongolia
Bureau of East Asia & Pacific Affairs**

Room 4318, 2201 C Street,
N.W. Washington, D.C. 20520
Tel: (202) 647-6796
Fax: (202) 647-6820
Office of Business Affairs
Tel: (202) 746-1625
Fax: (202) 647-3953
Website: <http://www.state.gov/>

**AgExport Services
Division Foreign
Agricultural Service Ag**
Box 1052

1400 Independence SW
Washington, D.C. 20250-0052
Tel: (202) 720-9509
Fax: (202) 690-0193
Trade Assistance & Promotion Office
Tel: (202) 720-7420
Fax: (202) 690-4374

**Office of U.S. Trade Representative
China Desk**

600 17th Street, NW
Washington, DC
20506
Tel: (202) 395-3900
Fax: (202) 395-3911
Website: www.ustr.gov

U.S. Export-Import Bank of the United States

811 Vermont Avenue N.W.
Business Development
Office Washington, D.C.
20571
Tel: (202) 565-3946 or (800) 565-3946
Fax: (202) 565-3723
Website: www.exim.gov

L. U.S.-Based Multipliers

U.S. Chamber of Commerce

1615 H Street, NW
Washington, DC
20062
Tel: (202) 463-5480
Fax: (202) 822-2491
Website: www.uschamber.com

U.S.-China Business Council

John Frisbie, President
1818 N Street, N.W., Suite 200
Washington, D.C. 20036-2470
Tel: (202) 429-0340
Fax: (202) 775-2476
Website: www.uschina.org

Market Research

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<http://www.export.gov/tradeevents/index.asp>

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Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to prepare U.S. companies to export successfully, connect them with trade opportunities, and support them once they do have exporting opportunities.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers and target markets
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. Government (USG) trade promotion agencies and their services, including export training and potential trade financing sources
- Provide trade show support and multi-city USG-led and USG-hosted trade missions

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please go to the following link: www.trade.gov.

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please go to the following link: www.export.gov.

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center at (800) USA-TRAD(E)**.

We value your feedback on the format and contents of this report. Please send your comments and recommendations to: MarketResearchFeedback@trade.gov.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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